

<b>Title of meeting:</b>	Employment Committee
<b>Date of meeting:</b>	26 June 2018
<b>Subject:</b>	The Living Wage
<b>Report by:</b>	Director of HR, Legal and Performance
<b>Wards affected:</b>	None
<b>Key decision:</b>	No
<b>Full Council decision:</b>	No

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## **1 Purpose of report**

1.1. This report is provided in response to the instruction from Full Council on 17<sup>th</sup> October 2017, for Employment Committee to consider implementing the Foundation Living Wage (FLW) rate and assess what the potential implications might be.

## **2 Recommendations**

2.1. Members are recommended to apply the Foundation Living Wage, consolidated into the council's pay structure, noting the costs and issues identified in the paragraphs below, and subject to special provisions for those employees who have transferred to PCC under TUPE regulations.

## **3 Background**

3.1. In 2014 Members considered whether to adopt the Foundation Living Wage rate, and whether to become an accredited Foundation Living Wage employer. Members decided to pay a Portsmouth City Council Living Wage as a non-consolidated payment (i.e. a salary "top up") for those employees falling below the FLW level, and decided not to apply to become a FLW accredited employer.

3.2. Members' stated intention was that the payment would continue to be made until the National Living Wage overtook the Portsmouth City Council Living Wage. The Portsmouth City Council Living Wage rate currently stands at £7.85 per hour, 2p above the National Living Wage rate.

3.3. Since the application of the pay award in April 2018, the PCC Living Wage is paid to 31 employees, all of whom are people who have transferred into the council under TUPE regulations. Out of 31 Local Authority maintained schools, 4 have decided not to pay the PCC Living Wage and currently pay the National Living Wage rate.

3.4. The Foundation Living Wage rate is currently £8.75 per hour, with a new rate due to be announced on Monday 5th November 2018.

## 4 Considerations

4.1. In deciding whether to pay the FLW as a consolidated payment, Members will need to consider the following:

- By consolidating the FLW into the council's pay structure, it would also impact on any additional payments (e.g. shift allowances and overtime) that are claimed by affected staff. Members are reminded that costs, £169,200 (see below) associated with the FLW are unbudgeted and therefore must be found within existing agreed cash limits.
- Consolidating the payment into the council's pay structure will mean that the majority of employees within bands 1 and 2 will be paid the same. Therefore, historical differentials between job roles at these levels will be removed and could result, for example, in a supervisor receiving the same pay as the staff reporting to them. This may result in pressure for some roles to be redesigned and/or re-evaluated.
- Schools will need to be consulted on an individual basis, and will have to decide whether to adopt the FLW. If (as is currently the case) some schools elect not to pay the FLW, the result will be that different pay rates could be applied to similar job roles across the schools workforce. Schools will, of course, but strongly encouraged to apply the FLW should members be minded to proceed with its implementation.
- Employees who have transferred into PCC under TUPE regulations have their terms and conditions protected (i.e. frozen) at the point of transfer. Therefore the council cannot consolidate the Foundation Living wage rate into the basic pay that these employees receive. As a result, these staff would continue to receive the FLW as a non-consolidated "top-up" payment.
- Members should note that future increases to the FLW, as defined by the Living Wage Foundation, may be above the rate of inflation. Should members be minded, in future years, to not match these increases, it would be necessary to negotiate with trades unions how the pay spine should be adjusted to remove the link to the FLW.
- To become an accredited Foundation Living Wage employer, the council would need to comply with a number of conditions under the FLW accreditation licence, including paying an annual fee, giving a commitment to pay the increased FLW rate year on year, and requiring companies providing services on behalf of the council to also pay the FLW. Whilst members' aspiration to become an accredited FLW employer is noted, the costs associated with this are likely to be prohibitive and so members are not recommended to pursue accreditation at the present time.

**5 Reasons for Recommendation**

- 5.1. Paying the FLW ensures that the council's lowest paid staff receive a genuine living wage (as defined by the Living Wage Foundation), providing a range of economic and social benefits
- 5.2. Applying the FLW as a consolidated payment does provide greater future certainty for those affected staff, although there some additional costs and other issues as set out in this report.

**6 Equality impact assessment (EIA)**

- 6.1. An Equality Impact Assessment was completed and is attached at Appendix 1.

**7 Legal implications**

- 7.1. The report outlines the cost implications and potentiality for challenge, together with the appropriate mechanisms to mitigate the risk- the employer also maintains suitable flexibility should matters require to change in the future.

**8 Director of Finance’s comments**

- 8.1. The total estimated cost of implementing the Foundation Living Wage is £101,200 per annum inclusive of Employers National Insurance and Pension contributions.
- 8.2. Of this total cost, £26,000 relates to staff employed within PCC maintained schools and it will be necessary for this additional cost to be met from within schools' existing formula funding allocations.
- 8.3. The remaining £75,200 relates to staff engaged on General Fund & Housing Revenue Account related activities and it will be necessary for this additional cost to be met from within existing GF & HRA budgets.

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Signed by:

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location