

Agenda item:

Title of meeting: Employment Committee

Date of meeting: 4th November 2014

Subject: The Living Wage

Report by: Head of HR, Legal and Performance

Wards affected: N/A

Key decision: No

Full Council decision: No

1. Purpose of report

The purpose of this report is to appraise members of issues and risks associated with implementing the Living Wage and, subject to these, to seek members' approval to implement the Living Wage.

2. Recommendations

It is recommended that the Employment Committee:

- i. agree to implement the Living Wage as decided at Employment Committee in March 2014, with effect from 1st November 2014;
- ii. pay the Living Wage as a non-consolidated one-off payment in March 2015 for the initial launch and thereafter as a monthly non-consolidated payment (subject to recommendation (iii) below);
- iii. undertake an annual review of the Living Wage payment following the annual rate review by the Living Wage Foundation;
- iv. note the Legal Advice in Exempt Appendix A and the risks detailed in this advice;
- v. request the Head of HR Legal & Performance and the Head of Finance draw up detailed criteria for applying the Living Wage payment where, for example, staff members start, leave or change jobs during the year, or who hold multiple jobs with the council, or who have transferred to the council from other organisations under TUPE rules;
- vi. instruct Officers to continue working with Schools to ensure that, as far as possible, the Living Wage is also implemented in schools at the earliest possible opportunity.

3. Background

- 3.1 The fundamental purpose of paying the Living Wage rate is to lift people out of working poverty. The Living Wage Foundation cites a number of positive benefits associated with introducing the Living Wage including increased employee engagement and reduced sickness absence. In addition to these benefits, it will contribute to the city's Tackling Poverty Strategy which aims to alleviate poverty and break the cycle of deprivation.
- 3.2 In March 2014, Employment Committee agreed to pay the Living Wage rate to all staff paid on or below SCP 11, at base rate of pay (not to hours with enhancements), with effect from November 2014 .
- 3.3 Employment Committee also requested the Head of HR, Legal and Performance to continue to work closely with the Schools to encourage their implementation and to further investigate the implications for casual and agency workers.
- 3.4 A Notice of Motion regarding Living Wage was debated by Full Council on Tuesday 14th October 2014, with members agreeing to request this committee to reaffirm its commitment to the Living Wage.

4. Further Considerations

4.1 Schools

- 4.1.1 As members have been advised previously, schools Governing Bodies are entitled to make their own decisions in respect of paying the Living Wage to their non-teaching staff. However, those staff continue to be employees of the Council, and so it is preferable for all schools to agree to implement the Living Wage at the same time as the Council.
- 4.1.2. Further discussions have continued to date with the relevant Heads and Governing Bodies of Schools. The overall feedback from schools has been positive about the Living Wage concept in principle; however, there are three main areas of concern;
 - i. The Schools budgets have been set for the academic year 2014/15 and therefore they may not have sufficient budget to implement the Living Wage at the present time.
 - ii. The Schools have concerns about the future costs of the Living Wage and are exploring the impact on pay and grading for their staff for future years.
 - iii. Some Schools have expressed their concern that the budget impact of introducing the Living Wage will require savings in other areas of the school budget, possibly affecting staffing levels.
- 4.1.3. Whilst some schools have given positive "in principle" feedback the final decision on implementation is to be made by individual school's Governing Bodies. It has been requested that final decisions are made at the Full Governing Bodies meetings due to be held late in the autumn term.

- 4.1.4. A survey was recently sent to 56 Portsmouth Schools about the Living Wage. Seventeen schools responded and of these 9 stated that they are in favour of implementing the Living Wage rate, 3 do not want to implement and 5 schools are unsure, mostly due to financial concerns. Many of those schools who have not responded have not done so pending forthcoming meetings of governing bodies.
- 4.1.5. The Head of HR, Legal and Performance and relevant officers from the HR team will use all available means to encourage and support schools to adopt the Living Wage to align with the rest of Portsmouth City Council.

4.2 Casual Staff and Agency Workers

- 4.2.1 It is difficult to accurately predict the costs of paying Living Wage to Casual Staff and Agency workers as they are all employed on specific contracts and their employment relationship with the council is fundamentally different. Under the terms of their contracts they are required to work when business demand dictates and at the level of pay relevant to the duties undertaken. Financial predictions have therefore been based on the previous 6 months payments, as an illustration only.
- 4.2.2 There are concerns that paying the Living Wage to agency workers will inflate the cost to the service using the internal agency. This may lead service managers to use external temp agencies at a lower rate of pay, purely to keep costs down. This is unlikely to be in the council's best long-term interests.
- 4.2.3. Therefore, it is proposed to omit agency and casual staff from the Living Wage at the present time, but members are referred to the legal comments provided in Exempt Appendix A.

4.3 Lack of Pay Differentials

By paying the Living Wage to those employees on SCP 11 and below, pay differentials will decrease. Managers and Head Teachers have raised concerns that this may cause unrest amongst workers where supervisors are paid the same rate as those they are supervising. This may also cause recruitment problems to the higher graded posts. The impact of this is difficult to quantify at this stage, but will be kept under review.

4.4 Living Wage in other Local Authorities

As requested at the previous Employment Committee, the Head of HR, Legal and Performance has had discussions with other local authorities that have considered the Living Wage. It is understood that Southampton City Council has indicated its desire to implement the Living Wage, and it is included as part of a package of changes which, at the time of writing, are being consulted upon with staff. Hampshire County Council and West Sussex County Council have formally decided not to implement the Living Wage. Brighton and Hove City Council has adopted the

Living Wage and has implemented this as a consolidated payment, including all schools.

5. Reasons for recommendations

5.1 Implement the Living Wage with effect from 1st November 2014

Following the decision made at Employment Committee on 10th March 2014, and the recent Notice of Motion debated at Full Council, it is recommended that the Living Wage rate is adopted for Portsmouth City Council employees.

5.2 Payment method

- 5.2.1 It is recommended that, for the initial implementation, the Living Wage rate is paid as a one-off lump sum payment to eligible employees. This will need to be paid after the end of March 2015, for the period 1st November 2014 - 31st March 2015 (to take account of any changes in individuals pay/new starters/leavers, etc.).
- 5.2.2 Going forward, should members be minded to support the Living Wage in future years, it is recommended that the Living Wage rate is paid as a monthly non-consolidated payment to eligible employees. It is important to note that to pay a monthly non-consolidated payment will require development work to be undertaken to the Council's financial and payroll systems which will have time and potential cost implications that are not included in this report.

5.3 Undertake an annual review of the Living Wage before application

- 5.3.1 It is strongly recommended that the Employment Committee considers the impact of paying the Living Wage rate on an annual basis, taking into account the Living Wage Foundations' annually revised rate, national pay awards and the authority's budget pressures.
- 5.3.2. It is further recommended that any changes made to the Living Wage rate following the Living Wage Foundations annual review each November, are implemented in the following April.

5.4 Note the Legal Advice in Exempt Appendix A

There are clear risks attached to implementing the Living Wage across Portsmouth City Council particularly if not all schools chose to implement at the same time. The risks are clearly detailed in the Exempt Appendix A.

5.5 Continue working with Schools to ensure that the Living Wage is also implemented in schools at the earliest possible opportunity

It is recommended that the Employment Committee instruct Officers to use all available means to encourage and support Schools to adopt the Living Wage to align with the rest of Portsmouth City Council.

6. Equality impact assessment (EIA)

A full equality impact assessment has been undertaken. The main concerns are with regards to equal pay and this is set out in the Legal Implications. However, it is worth noting that if all PCC employees below the Living Wage are uplifted, the 89% of those benefiting would be female. If schools are not included, this will drop to approximately 60%.

7. Legal comments

See Exempt Appendix A

8. Head of finance's comments

- 8.1 Detailed below is the estimated financial appraisal to implement the Living Wage across Portsmouth City Council and the Schools.

	November 14 - March 15 (5 months)	April 15 - March 16 (full financial year)
PCC	£24,100	£72,400
Schools	£95,700	£278,500

- 8.2 The financial predictions for 2015/16 take account of the proposed National Pay Award which is currently under negotiation with the Trade Unions. (Full details of the proposal can be found in Appendix B).
- 8.3 The estimated Living Wage rate is based on previous trends of inflation of 3% each year. The revised rate is to be announced in "Living Wage Week" 2nd - 8th November 2014.
- 8.4 The financial appraisal excludes casual and agency workers as mentioned in para 4.2.1. However, on average the increase to employ these staff when the Living Wage is implemented is estimated at 8% and 6% respectively for the period November 14 - March 15 and 12% and 9% respectively for the financial year 2015/16.
- 8.5 The financial predictions estimate the cost to the Council and individual schools to take all staff currently below the Living Wage (i.e. SCP1 - SCP11) to the level of Living Wage which is expected to rise to £14,758 p.a. for 2014/15 and £15,201 p.a. for 2015/16.
- 8.6 The type of staff who will be eligible are Domestic Assistants, Cleaners, Food Preparation Assistants, Porters/caretakers, Drivers, Gardeners, Passenger Assistants and Play Workers. In the Schools many are Lunchtime Assistants, Nursery staff and LSA's.

8.7 On the basis that this is paid as a separate allowance on base rate of pay the financial implications are as follows:

- i. The Council will need to consider an on-going uplift of salaries in line with any changes to the Living Wage rate which at present is projected to be 2% higher than the National Pay Award.
- ii. Any increase in costs will need to be funded from existing approved budgets. In respect of the individual schools, if the increase is agreed the additional costs will need to be met from existing annual budget allocations.

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Signed by:

Appendices:

Appendix A: Exempt Legal Implications

Appendix B: Proposed National Pay Awards

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

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by: