

**Name of meeting: Personnel Committee**

**Date: 16 March 2015**

**Title of report: The introduction of a Living Wage for Kirklees Council staff**

Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Not applicable
Is it in the <a href="#">Council's Forward Plan</a> ?	No
Is it eligible for "call in" by <a href="#">Scrutiny</a> ?	No
Date signed off by <u>Director</u> & name	Ruth Redfern – 10 February 2015
Is it signed off by the Director of Resources?	David Smith – 11 February 2015
Is it signed off by the Assistant Director (Legal Governance and Monitoring)?	Julie Muscroft – 11 February 2015
Cabinet member <a href="#">portfolio</a>	Cllr Graham Turner

**Electoral [wards](#) affected: All**

**Ward councillors consulted: All**

**Public or private: Public report**

## 1. Purpose of report

- 1.1 This report provides specific details regarding the financial and human resource implications of introducing a Living Wage for the Kirklees Council workforce. It is important that the introduction of a Living Wage is considered in the round. For this reason it is recommended that this report is read in conjunction with the "Low Pay" report, which provides important background and context to the debate.

## 2. Key points

- 2.1 The annual national Living Wage was increased to £7.85 from 3 November 2014. In Kirklees Council, the nearest equivalent pay point is Spinal Column Point (SCP)11 at £7.88.
- 2.2 The officer recommendation is that Kirklees Council introduces a Kirklees Local Living Wage of £7.88, with implementation from 1 April 2015. Using a

SCP has the advantage of being much easier to administer as it is already part of the Council's pay model and can be easily adjusted in line with local government pay decisions.

- 2.3 The national Living Wage is set by a body over which the Council has no influence regarding the increases it sets (the national Living Wage has increased by around 30% since 2005). Councils that adopt a local Living Wage are not contractually bound to increase pay for affected staff by future national Living Wage guidelines. This paper proposes therefore the introduction of a local Living Wage so that any future Living Wage increases are assessed by the Council against the budget position and wider circumstances at any given time.
- 2.4 The officer recommendation is that the Living Wage is paid on a contractual rather than a supplementary basis so that employees have the security of knowing they will earn this particular level of pay on an ongoing basis should they need to declare their earnings – for example in relation to a mortgage application. The officer recommendation is also that the agreed Living Wage rate be used for the payment of overtime/additional hours.
- 2.5 HMRC have advised that employees cannot choose to opt out from receiving a Living Wage payment, if staff were concerned that they may lose income from state benefits due to an increase in pay. Any employee at detriment is advised to seek support from Kirklees Benefits Advice Service.
- 2.6 It has been considered whether paying a local Living Wage creates a risk for the Council of equal pay claims. The legal advice received is that this is not an automatic consequence of adopting the policy, so long as the lower evaluated job is not paid more than the higher evaluated job.

### **3. Implications for the Council**

- 3.1 In Kirklees Council, approximately 2100 employees (approximately 25% of the workforce) have a casual, full or part time post where the basic pay is below the recommended rate of £7.88. The majority of affected posts are in Place Directorate, with about 50% in Cleaning and 25% in Catering.
- 3.11 The cost of increasing the pay of this group of employees to a Living Wage of £7.88 is £1.1m, in addition to the national pay award uplift which affects this group of employees.
- 3.12 A further group of approximately 200 employees (excluding Lunch Time Supervisor Assistants, see 3.13 below), under the management of schools but technically employees of the Council, are also paid below the recommended rate of £7.88.
- 3.13 This number excludes over 900 lunchtime supervisor assistants who are paid a market rate supplement from schools budgets, which effectively takes their pay to Grade 5, which is well above the proposed Living Wage rate. Payment of a Living Wage to these Lunchtime Supervisors is therefore in reality a variation to the make-up of their pay not an increase to the overall total.

- 3.14 Although the group of employees identified in 3.12 are technically employed by the Council, their salaries are from school budgets. The Council will be discussing with schools the best way of implementing the Living Wage to all eligible staff.
- 3.15 A consequence of paying a Living Wage would be the erosion of salary differentials, particularly in Catering and Cleaning, as higher graded employees would only receive a small amount above those they supervise.
- 3.16 Consideration of mitigating the impact of this on salary structures will be made through normal mechanisms.
- 3.17 Current MTFP budget proposals 2015 –18 include the set aside within Central Budgets of £1.4m for the Living Wage. While the estimated cost has now reduced to £1.1m, the balance of £0.3m is required to pay for the 0.2% pay uplift in 2015-16 for Council staff (on SCP 11 and above), in excess of the budget provision for annual pay award.
- 3.18 These services operate as traded services, and mostly trade with schools. The cost of introducing a local Living Wage of £7.88 is £780k.
- 3.19 The Council will be discussing the implications for the cost of future services with local schools.

### **3.3 Implications for Schools**

#### **3.31 Schools**

There are currently around 1100 employees in schools graded at Grade 3 or below. They are not direct employees of the Council but have adopted the Council's pay scales and terms and conditions.

- 3.32 Of these, around 900 are Lunchtime Supervisors who are graded at Grade 3 and also have a market rate supplement to Grade 5. This was at the request of the schools as there were recruitment and retention issues with this job. This is paid for out of existing school budgets. It is estimated that the additional cost from implementing a Living Wage for these staff would be relatively small (approximately £14k).
- 3.33 Just under 700 of these staff are already at the top of Grade 3, and of the remainder, the above calculation reflects the 173 staff who effectively move 2 increments, from SCP 9 to SCP11. For staff currently on SCP 10, it is assumed that they would have received incremental progression to SCP 11 next year anyway that schools would have had to budget for.
- 3.34 The other 200 or so employees (not directly paid for by the Council) are in 41 schools and mostly (133 of them) graded and paid at the top of Grade 1, 16 staff at Grade 2 and 57 staff at Grade 3. The vast majority (129) of these staff are cleaners, 30 or so lunchtime playworkers and 14 handymen/gardeners. The total additional costs of the Living Wage would be between £1k and £6k for the 37 primary schools involved and between £10k and £14k for the 4 high schools involved – total estimated costs of about £100k.

### **3.4 Implications for Third Party Providers**

- 3.41 A local Living Wage implemented for directly employed Council staff will inevitably draw comparisons with services bought in from third party providers. It is acknowledged that the extent to which there will be wider sector support for this throughout the District, and the consequential impact of this on bought in Council contracted services, is a particularly difficult and complex area from which to draw any clear conclusions.
- 3.42 This is most apparent in relation to Adult Social Care. The Council is the main buyer of adult domiciliary care from the independent sector (approximately 19000 hours per week) and has contracts with about 130 care providers.
- 3.43 Most staff in these sectors are currently paid between £6.50 and £8.00 mostly skewed at the lower end of this range and have varying terms and conditions.
- 3.44 A high level illustrative calculation of the impact of a Living Wage implementation, comparable to the Council proposal would be in excess of £1 million for domiciliary providers and £4 million plus for care home providers.
- 3.45 The extent to which such costs would then be passed back to the Council would be a key financial impact consideration, and employers may consider reviewing current terms and conditions to mitigate the overall impact on their own bottom line.
- 3.46 The above also needs to be considered in conjunction with wider recruitment and retention issues in this particular market across the region, and a potential range of mitigating actions to address this market over the medium term.

### **4. Consultees and their opinions**

Chief Executive and Director Group and Cabinet Members are supportive of this report.

### **5. Next steps**

Consideration of recommendations at Personnel Committee on 16 March 2015.

### **6. Officer recommendations and reasons**

- Introduce a Kirklees Living Wage of £7.88 for employees using the Single Status Employee Handbook
- That the Living Wage is introduced on a contractual basis, committing the Council to a lowest pay rate of SCP 11 and that the agreed Living Wage is used for the payment of overtime/additional hours working.
- The rate for the Kirklees Living Wage be reviewed by Directors as part of the budget process for 2016/17 with regard to wider circumstances rather than using future increases suggested by the Living Wage Foundation.

- In April 2015, directors consider a further report looking at the effect of a market rate supplement on the Living Wage on differentials, in particular in catering and cleaning and in accordance with the Council Policy on market rate supplements.

**7. Cabinet portfolio holder recommendation**

- 7.1 That Personnel Committee consider this report to agree changes to terms and conditions to facilitate the introduction of a Living Wage for Kirklees Council employees

**8. Contact officers and relevant papers**

Chris Rowe, Policy Officer  
Sue Goodall, Human Resources Manager  
Eamonn Croston, Strategic Council Finance Manager

Relevant Papers – “Tackling Low Pay in Kirklees Council,” report to Cabinet and Full Council

**9. Director responsible**

Ruth Redfern, Director for Communities, Transformation and Change