

Report for:
ACTION



Contains Confidential or Exempt Information	NO – Part I
Title	Implementation of the National Living Wage (NLW) and Review of Pay Rate for Apprentices
Responsible Officer(s)	Terry Baldwin, Head of HR
Contact officer, job title and phone number	Terry Baldwin, Head of HR, 01628 79662
Member reporting	Cllr David Burbage
For Consideration By	Employment Panel
Date to be Considered	21 January 2016
Implementation Date if Not Called In	1 April 2016
Affected Wards	None

REPORT SUMMARY

1. This report proposes changes to the council's pay scales as a result of the introduction of the national living wage (NLW) and a change to the rate of pay for apprentices. These recommendations are being made because the council is required to meet its statutory obligations. If adopted, the key financial implications for the Council are negligible in relation to the NLW and an increase in the costs for apprentices of £1,900.

If recommendations are adopted, how will residents benefit?

Benefits to residents and reasons why they will benefit	Dates by which residents can expect to notice a difference
1. Improved opportunities for apprenticeships with the council.	On going

1. DETAILS OF RECOMMENDATIONS

RECOMMENDATION: That Employment Panel:

- i. Pay points 1 and 2 of Grade 1A are deleted with effect from 1 April 2016 and staff on those pay points are moved to point 3.
- ii. Apply an annual increase of 45p until the minimum pay rate reaches £9 in 2020, unless the nationally agreed annual increases applied to the National Living Wage exceed 45p.
- iii. The minimum pay rate for apprentices is set at £3.85 per hour from 1 February 2016 and is kept under review.
- iv. Authority is delegated to the managing director and Head of HR to make further adjustments to the salary levels for apprentices where needed.
- v. Employment Panel receive a further report later in 2016 regarding the implications of the National Living Wage on council pay scales.

2. REASON FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

2.1 In July 2015, the government announced a national living wage (NLW) of £7.20 for those aged 25 or over and that the NLW would be increased to £9.00 by 2020. This equates to an annual salary of £13,891 rising by £3,472 to £17,363 in 2020. The Low Pay Commission will be responsible for recommending the progression pay increases from 2017 to 2020. However, the difference of £1.80 per hour, equates to 45 pence per hour per year over the four years.

2.2 The council operates a pay scale for centrally employed staff and a separate pay scale for school based support staff. Tables 1, 2 and 3 in Appendix 1 show the current pay scales and the potential impact of the NLW. In identifying the potential impact it has been assumed that:

- for centrally employed staff there will be no annual pay award.
- for school based staff the national pay award will be 1%.
- the progression pay increases to £9 per hour are even, giving an annual increase of 45 pence per hour.

Summary of the impact

2.3 For centrally employed staff, the increase to £7.20 per hour from April 2016 affects the bottom two pay points of Grade 1A. (See Table 1 in Appendix 1). This affects 11 individuals, in posts supported by the Ways into Work service.

2.4 Following recent national pay awards, School support staff are already paid at a rate higher than £7.20 per hour and therefore there is no immediate impact on this group. If there is a national pay award in 2016 any impact on School support staff is delayed until at least 2018. If there is no pay award in 2016, which at this stage appears unlikely as there is an overall 1% offer each year for the next two years, there is no impact until 2017. (See Tables 2 and 3 in Appendix 1).

Options considered:

2.5 Make £7.26 per hour, the council's minimum pay rate. Analysis of those affected indicates an additional cost of £425 per annum to apply £7.26 per hour rather than the NLW rate of £7.20. The cost of applying £7.20 per hour is £450 per annum including on costs. This increases to £875 per annum if £7.26 pay point 3 is set as the minimum pay rate. In line with the council's desire to invest in the lowest paid staff and the minimal additional cost involved, it is recommended that the current pay point 3, £7.26 per hour is applied as the council's minimum pay rate.

2.6 NLW and age.

The council's minimum pay rate will apply regardless of age. Analysis of those impacted by this indicates that we currently have one centrally employed individual under 25 (excluding apprentices). Although the impact of the NLW does not impact on schools until at least 2017 and more probably 2018, there are currently around 590 employees in schools (including casuals) that will be affected by the application of the NLW. Of those only six will be under 25 on the appropriate date.

2.7 Increase in NLW to £9 per hour by 2020

At this stage we do not know what approach the Low Pay Commission will take with regard to the progression to £9 per hour in 2020. As the difference between £7.20 and £9 is £1.80, it could be assumed that progression will be evenly applied as an annual increase of 45p per hour. This assumption has been applied to the table in Appendix 1, to identify the potential impact.

2.8 It is recommended that the council apply an annual increase of 45p until the minimum pay rate reaches £9 in 2020, unless the annual increase applied to the NLW exceeds 45p. Table one below shows the application of a 45p increase from 2017 to 2020 to the council's pay point 3 and the NLW.

Table 1

	01/04/16	01/04/17	01/04/18	01/04/19	01/04/20
Hourly rate RBWM, pay point 3	£7.26	£7.71	£8.16	£8.61	£9.06
Hourly rate NLW	£7.20	£7.65	£8.10	£8.55	£9.00

2.9 The application of the £9 per hour NLW by 2020 will impact on job evaluation and the grading structures that the council currently uses as it will impact on pay differentials. In addition, the Local Government Employers (LGE) is considering the issue in relation to pay structures, job evaluation and pay differentials. They are suggesting that the NLW will actually be £9.36 by 2020. Any local and national pay awards will also impact on the application of the NLW.

2.10 It is proposed to bring a further report to Employment Panel later in 2016, once we know the position on national and local pay awards and advice from the LGE is available in order to inform any changes required to the council's pay scales in order to maintain pay differentials.

Apprentices

2.11 The council currently has only three apprentices. However there are plans to recruit four apprentices early in 2016. The council applies the national apprentice pay rates. Table two below shows the hourly rates for the national minimum wage, the national rate for apprentices, and the rates paid by the council and by the other unitary council's in Berkshire.

Table 2

Age range	16-18*	<18	18-20	21+
National minimum wage - per hour		£3.87	£5.30	£6.70
Apprentices - national minimum	£3.30		£5.30	£6.70
Apprentices - RBWM 1	£3.30		£5.30	£6.70
Apprentices - Bracknell Forest BC 1	£3.38		£5.30	£6.70
Apprentices - Bracknell Forest BC 2	£3.92		£5.30	£6.70
Apprentices - Bracknell Forest BC 3	£4.19		£5.30	£6.70

Apprentices - Reading	£3.30		£5.30	£6.70
Apprentices - Slough BC	£3.85		£5.30	£6.70
Apprentices - West Berks	£3.30		£5.30	£6.70
Apprentices - Wokingham	£3.30		£5.30	£6.70

*plus those 19 and over in their first year

2.12 Only Bracknell and Slough pay their apprentices under 18 more than the national minimum. All Berkshire authorities pay the national minimum for older apprentices.

2.13 The council has struggled to attract apprentices aged 16-18. This combined with the council's wish to improve the position of those on low pay, leads us to recommend that the council increases the rate for its apprentices to £3.85 per hour. The government recently announced that to support its target of 3 million apprenticeships by 2020, all large public sector employers (over 250 employees) will be set an apprenticeship target of 2.3% of the workforce.

Option	Comments
<p>Delete points 1 and 2 from Grade 1A with effect from 1 April 2016. Move all staff on the deleted pay points to point 3.</p> <p>This is the recommended option</p>	<p>Given the small number of staff and cost involved, this is the recommended option.</p>
<p>Delete point 1 from Grade 1A with effect from 1 April 2016. Move all staff on the deleted pay point to point 2 and increase point 2 to £7.20.</p> <p>This is not recommended</p>	<p>See comments above. This option also only delays the deletion of point 2 until 2017.</p>
<p>Apply the NLW to all staff regardless of age.</p> <p>This is the recommended option</p>	<p>Given the small number of staff and limited cost involved, this is the recommended option.</p>
<p>Only apply the NLW to those aged 25 or older.</p> <p>This is not recommended</p>	<p>See comments above.</p>
<p>Apply an annual increase of at least 45p per annum until the minimum pay rate reaches £9 per hour.</p> <p>This is the recommended option</p>	<p>This is a minimum increase that the council would apply. In the event that the national increase to the NLW is higher than 45p, the national increase will apply.</p>
<p>Apply the nationally agreed increases to the NLW.</p> <p>This is not recommended</p>	<p>See comments above.</p>
<p>Increase the pay of apprentices to £3.85 per hour from 1 February 2016.</p> <p>This is the recommended option</p>	<p>It is hoped that increasing the pay of apprentices will help the council attract higher quality candidates.</p>
<p>Make no changes to the pay rates for apprentices.</p>	<p>See comments above.</p>

This is not recommended	
A further report be presented to Employment Panel in 2016, once further information is available in order to inform the approach regarding maintaining pay differentials. This is the recommended option	Proposals for action beyond 2016 are not sensible in the absence of further information.

3. KEY IMPLICATIONS

3.1

Defined Outcomes	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered by
The council meets its statutory obligations by implementing the NLW	n/a	1 April 2016	n/a	n/a	1 April 2016

4. FINANCIAL DETAILS

Financial impact on the budget

- 4.1 The financial impact of the application of pay point 3 as the minimum pay point for the 11 staff identified is negligible. The cost of applying £7.20 per hour is £450 including on costs. This increases to £875 if £7.26 pay point 3 is set as the minimum pay rate. Based on current data the additional cost of moving to £9 by 2020 will incrementally increase from £3,000 to £7,500 in the final year, totalling approximately £20,000 over four years including on costs.

Table three shows the cost of increasing apprentice pay to £3.85 per hour.

Table 3

	16-18*	18-20	21+
Apprentices - national minimum PA	£6,367	£10,225	£12,926
RBWM	£7,428	£10,225	£12,926
Difference in pay	£1061	N/a	N/a
Annual cost per apprentice including on costs	£1,284		

* plus those 19 or over in 1st year

- 4.2 The council currently only has three apprentices, one of which is due to leave on 31 March 2016. The others are both in their first year and due to leave in October and November 2016. The additional cost of increasing their pay is approximately £1,900 including on-costs.
- 4.3 The additional salary costs for the four apprenticeships in 2016 will be around £5,150. Discussions have already been held between the Grow our Own team

and the Leader on the principle of increasing the budget provision for this area of activity.

- 4.4 For future reference, as a large employer with a pay bill over £3 million, from April 2017, the council will be required to pay a levy of 0.5% of the pay bill to fund the national apprenticeship scheme.

5. LEGAL IMPLICATIONS

- 5.1 The council is required to implement the NLW from 6 April 2016. This is a mandatory date for implementation. The revised rate for apprentices is proposed to apply with effect from 1 February 2016. This is not a date which has been legally imposed, but a date which has been proposed to effect the recommended change as set out in this Report. The Council already pays the mandatory minimum wage to employees and apprentices, as demonstrated by the tables in the Report. This Report focuses on determining the ways in which it can be ensured that the Council continues to continue paying the statutory minimum rates.

6. VALUE FOR MONEY

- 6.1 The additional costs of applying pay point 3 are negligible. The additional cost of a council apprenticeship is seen as investing in the future.

7. SUSTAINABILITY IMPACT APPRAISAL

- 7.1 None.

8. RISK MANAGEMENT

- 8.1

Risks	Uncontrolled Risk	Controls	Controlled Risk
Impact of NLW on pay relativities over next four years, resulting in increased staff costs		This issue will be considered as part of the report planned for 2016.	

9. LINKS TO STRATEGIC OBJECTIVES

- 9.1 The recommendation regarding apprentices links to the following:

Residents First

- Support Children and Young People

Value for Money

- Invest in the future

Equipping Ourselves for the Future

- Equipping Our Workforce

10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION

10.1 No EQIA was undertaken, as the NLW is a statutory requirement.

11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS

11.1 See section 2.

12. PROPERTY AND ASSETS

12.1 None.

13. ANY OTHER IMPLICATIONS

13.1 This report only addresses the impact of the NLW on council employed staff. It does not address the impact on services delivered via external contracts.

14. CONSULTATION

14.1 The People Forum, DMT's and CMT were consulted and support the recommended approach.

15. TIMETABLE FOR IMPLEMENTATION

15.1 It is proposed to apply the NLW from 1 April 2016 and the increase pay rate for apprentices from 1 February 2016.

16. APPENDICES

16.1 Appendix 1 – pay scales for centrally employed RBWM staff and school support staff.

17. BACKGROUND INFORMATION

17.1 None.

18. CONSULTATION (MANDATORY)

Name of consultee	Post held and Department	Date sent	Date received	See comments in paragraph:
Internal				
Cllr Burbage	Leader of the Council			
Alison Alexander	MD/CMT	16/12/15	16/12/15	
Jenny Lee	Lawyer SLS	22/12/15	6/1/16	5.
Alison Alexander	People Forum	18/12/15	18/12/15	
John Bates	Accountancy Pool	21/12/15	4/1/16	4a – figures checked
Cabinet Policy Office				
External				
	Police, voluntary Organisation, AN Other etc			

REPORT HISTORY

Decision type:	Urgency item?	
Non-key decision	No	
Full name of report author	Job title	Full contact no:
Karin Zussman-Ward	Lead HR Consultant	01628 796211

Table 1 Centrally employed staff

GRADE / POINT	TOTAL SALARY	HOURLY RATE	COMMENTS
	£	£	Assumes no annual pay award
GRADE 1A			
1	13,485.00	6.9896	April 16 - below £7.20
2	13,822.00	7.1643	April 16 - below £7.20
3	14,018.00	7.2659	April 17 - below £7.65
4	14,428.00	7.4784	April 17 - below £7.65
5	14,789.00	7.6655	April 18 - below £8.10
6	14,937.00	7.7422	April 18 - £8.10
GRADE 1B			
7	14,858.00	7.7013	April 18 - below £8.10
8	15,229.00	7.8936	April 18 - below £8.10
9	16,088.00	8.3388	April 19 - below £8.55
10	16,490.00	8.5472	April 20 - below £9
11	16,655.00	8.6327	April 20 - below £9
GRADE 1C			
12	16,088.00	8.3388	April 19 - below £8.55
13	16,490.00	8.5472	April 19 - below £8.55
14	16,852.00	8.7348	April 20 - below £9
15	17,273.00	8.9530	April 20 - below £9
16	17,446.00	9.0427	
GRADE 2			
17	17,154.00	8.8913	April 20 - below £9
18	17,583.00	9.1137	
19	17,946.00	9.3019	
20	18,371.00	9.5222	
21	18,801.00	9.7450	
22	18,989.00	9.8425	

Table 2 School support staff - assuming 1% pay award

	NLW £7.20		NLW £7.65		NLW £8.10	
SCALE / SPINAL POINT	Apr-16 HOURLY RATE 1% PAY AWARD	Comments	Apr-17 HOURLY RATE 1% PAY AWARD	Comments	Apr-18 HOURLY RATE 1% PAY AWARD	Comments
SCALE 2	£		£		£	
6	7.6615	No change	7.7382	No change	7.8155	Apr 18 - below £8.10
7	7.7186	No change	7.7958	No change	7.8738	Apr 18 - below £8.10
8	7.8060	No change	7.8841	No change	7.9629	Apr 18 - below £8.10
9	7.8428	No change	7.9212	No change	8.0004	Apr 18 - below £8.10
10	7.9889	No change	8.0688	No change	8.1495	No change
11	8.4736	No change	8.5583	No change	8.6439	No change
11	8.4736	No change	8.5583	No change	8.6439	No change
12	8.6493	No change	8.7358	No change	8.8231	No change
13	8.8825	No change	8.9714	No change	9.0611	No change
	NLW £8.55		NLW £9			
SCALE / SPINAL POINT	Apr-19 HOURLY RATE 1% PAY AWARD	Comments	Apr-20 HOURLY RATE 1% PAY AWARD	Comments		
SCALE 2	£		£			
6						
7						
8						
9						
10	8.2310	April 19 - increase to £8.55?				
11	8.7303	No change	8.8176	Apr 20 - below £9		
11	8.7303	No change	8.8176	Apr 20 - below £9		
12	8.9114	No change	9.0005	No change		
13	9.1517	No change	9.2432	No change		

Table 3 School support staff

No pay award

SCALE / SPINAL POINT	TOTAL SALARY	HOURLY RATE	IF NO PAY AWARDS
SCALE 2	£	£	
6	14635	7.5857	
7	14744	7.6422	April 17 - below £7.65
8	14911	7.7287	April 18 - below £8.10
9	15131	7.8428	April 18 - below £8.10
10	15413	7.9889	April 18 - below £8.11
11	16348	8.4736	April 19 - below £8.55
11	16348	8.4736	April 19 - below £8.55
12	16687	8.6493	April 20 - below £9
13	17137	8.8825	April 20 - below £9