
TITLE: LOCAL AUTHORITY PAY COMPARISON AND NATIONAL LIVING WAGE IMPLEMENTATION

Committee: Regulatory & Support Services Committee

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[R81]

1.0 ISSUE

- 1.1 To review the Council's pay arrangements and draw comparisons against other local authorities, to ensure that reward systems are fair and cost effective.

2.0 RECOMMENDATION(S)

- 2.1 It is recommended that the Committee:
- (a) Notes the findings of the Local Authority Pay Comparison; and
 - (b) Supports the introduction of the new National Living Wage (NLW), at a rate of £7.20 per hour, which came into effect from 1 April 2016.

3.0 BACKGROUND

- 3.1 Members of the Regulatory and Support Services Committee requested a review of the Council's pay arrangements in comparison to other local authorities in the region, particularly those of a similar size to East Cambridgeshire District Council.

- 3.2 A Freedom of Information request was sent to 13 local authorities including Maldon, South Holland, Babergh, East Northamptonshire, Fenland, Mid Suffolk, Great Yarmouth, Broadland, Cambridge City, Braintree, South Cambridgeshire, West Suffolk and Cambridgeshire County requesting the following information:

- a) Number of residents in the local authority area;
- b) Total number of employees;
- c) Total number of FTE employees;
- d) Salaries budget for the last 3 years;
- e) Revenue budget for the last 3 years;
- f) Salary sum of all employees for 2013/14 and 2014/15;
- g) Chief Executive pay;
- h) Total number and salary sum of employees earning over £50,000;
- i) Total number and salary sum of employees earning over £40,000;
- j) The difference between the highest and lowest paid; and
- k) If they are paying the UK Living Wage set independently by the Living Wage Foundation (currently £8.25 per hour).

- 3.3 9 authorities responded to the FOI request, see Appendix 1 for the results of the pay comparison exercise. Results have been presented in size order based on the number of residents in the local authority area, starting with the smallest authority, Maldon and progressing the biggest authority. No

responses were received from Fenland, Great Yarmouth, West Suffolk and Cambridgeshire County Council.

- 3.4 East Cambridgeshire District Council is the third smallest authority and is shown in grey.

4.0 PAY COMPARISONS

4.1 Chief Executives

- 4.1.1 According to the Epaycheck Senior Pay Data Report (Sept 2015), the grossed median annual basic pay for Chief Executive posts in 2014/15 was £122,210 which varied from £175,313 in London Boroughs to £106,800 in Shire Districts as shown in Table 1 below.

Table 1: Chief Executive grossed pay by type of authority 2010/11 and 2014/15

| Type of Authority | Median (£) 2014/15 | Median (£) 2010/11 | % change |
|--------------------------|-------------------------------|-------------------------------|-----------------|
| English Unitary | 147,489 | 160,000 | -7.8% |
| London Borough | 175,313 | 187,613 | -6.6% |
| Met District | 160,000 | 165,425 | -3.3% |
| Shire County | 173,643 | 184,228 | -5.7% |
| Shire District | 106,800 | 109,260 | -2.3% |
| Welsh Unitary | 127,642 | 131,645 | -3.0% |
| Total | 122,210 | 129,092 | -5.3% |

- 4.1.2 Median pay for Chief Executive posts in shire districts is highest in East of England (£110,924) and lowest in the North West (£101,924) as shown in Table 2.

Table 2: Average pay for Shire District Chief Executive by region

| Region | Lower Quartile (£) | Median (£) | Upper Quartile (£) | Inter - Quartile Range (£) |
|----------------------|---------------------------|-------------------|---------------------------|-----------------------------------|
| East Midlands | 104,660 | 106,819 | 108,244 | 3,584 |
| East of England | 106,727 | 110,924 | 122,773 | 16,046 |
| North West | 93,840 | 101,511 | 106,000 | 12,160 |
| South East | 105,705 | 107,492 | 111,332 | 5,627 |
| South West | 88,257 | 103,224 | 110,000 | 21,743 |
| West Midlands | 94,690 | 104,308 | 107,574 | 12,884 |
| Yorkshire and Humber | 93,000 | 104,460 | 105,757 | 12,757 |

4.2 Senior Executives

- 4.2.1 According to the Epaycheck Senior Pay Data Report (Sept 2015), the grossed median annual basic pay for Senior Executive posts in 2014/15 was £97,950 which varied from £128,300 in London Boroughs and £125,957 in Shire Counties to £75,904 in Shire Districts as shown in Table 3 below.

Table 3: Senior Executive grossed pay by type of authority

| Type of Authority | Lower Quartile (£) | Median (£) | Upper Quartile (£) | Interquartile Range (£) |
|--------------------------|---------------------------|-------------------|---------------------------|--------------------------------|
| English Unitary | 102,654 | 107,156 | 115,000 | 12,346 |
| London Borough | 126,025 | 128,300 | 138,175 | 12,150 |
| Met District | 103,000 | 110,199 | 120,000 | 17,000 |
| Shire County | 121,997 | 125,957 | 130,600 | 8,603 |
| Shire District | 71,912 | 75,904 | 78,668 | 6,756 |
| Welsh Unitary | 87,471 | 97,958 | 104,670 | 17,199 |
| Total | 76,224 | 97,950 | 114,692 | 38,468 |

- 4.2.2 Median pay for Senior Executive posts in shire districts is highest in East of England (£76,681) and lowest in Yorkshire and Humber (£69,000) as shown in Table 4.

Table 4: Average pay for shire district senior executive posts by region

| Region | Lower Quartile (£) | Median (£) | Upper Quartile (£) | Inter - Quartile Range (£) |
|----------------------|---------------------------|-------------------|---------------------------|-----------------------------------|
| East Midlands | 75,555 | 76,314 | 76,925 | 1,370 |
| East of England | 70,244 | 76,681 | 81,144 | 10,900 |
| North West | 64,292 | 72,327 | 74,441 | 10,149 |
| South East | 75,805 | 76,639 | 78,583 | 2,778 |
| South West | 57,632 | 72,548 | 78,668 | 21,036 |
| West Midlands | 61,875 | 71,605 | 75,730 | 13,855 |
| Yorkshire and Humber | 62,136 | 69,000 | 83,357 | 21,221 |

5.0 THE LIVING WAGE

- 5.1 The National Minimum Wage (NMW) is the minimum pay per hour all workers aged 21 and above are entitled to by law. The NMW is currently £6.70 per hour.
- 5.2 The UK Living Wage is an hourly rate set independently by the Living Wage Foundation and is updated annually each November. Employers choose to pay the Living Wage on a voluntary basis. The current UK Living Wage is £8.25 an hour (£9.40 per hour in London). In order to be an accredited living wage employer certain criteria needs to be met including that suppliers to your organisation also pay the UK Living Wage. This has been largely achieved in London but is less prevalent elsewhere.
- 5.3 The new National Living Wage (NLW) came into effect on 1st April 2016 for employees aged 25 and above with the aim of reaching 60% of median UK earnings by 2020. The wage begins at £7.20 per hour in 2016 and is projected to rise to at least £9 per hour by 2020. The new NLW is effectively a rebranding of the existing NMW insofar that it will remain the responsibility of the Low Pay Commission to submit a report to the Government each year with a recommendation of what the annual increase should be.
- 5.4 On 1 April 2016, the National Living Wage was introduced at a rate of £7.20 per hour. As a consequence of this, the bottom three pay points on the Council's pay spine were below the statutory minimum level.

The hourly rate of spinal column point (SCP) 6 was £7.06 (£13,614); SCP7 was £7.11 (£13,715) and SCP8 was £7.19 (£13,871).

- 5.5 Under legislation, the new NLW only has to be applied for employees aged 25 and above, however, the Council can agree to pay it equally to all employees, irrespective of age.
- 5.6 A report went to Corporate Management Team in April proposing that, from 1st April 2016, all employees on points 6, 7 and 8 would have their pay increased and the new NLW would be applied equally to all employees, irrespective of age, including Apprentices. This report was approved by Corporate Management Team and the Chairman of the Regulatory and Support Services Committee.

6.0 FINANCIAL IMPLICATIONS

6.1 Implementing the National Living Wage (Compulsory)

- 6.1.1 Information provided by the Principal Accountant in February 2016 confirmed that there were 25 (11.85 FTE) employees who would benefit from the new National Living Wage increase of £7.20 per hour which was due to come into effect on 1 April 2016.
- 6.1.2 From 1 April 2017, when the National Living Wage is proposed to increase to £7.65 per hour, the number of employees affected increases to 26 (12.12 FTE). This remains the same from 1 April 2018 when the NLW is proposed to increase to £8.10 per hour. From 1 April 2019, when the NLW is proposed to increase to £8.55 per hour, the number of employees affected increases to 28 (13.39 FTE). From 1 April 2020, when the NLW is proposed to increase to £9.00 per hour, the number of employees affected increases to 35 (17.20 FTE).
- 6.1.3 Table 5 gives a complete picture of the impact of the National Living Wage on the salary bill for the next 5 years, increasing the weekly salary total for these staff (including those under 25) from £4,518 in April 2016 up to £42,610 by April 2020.

Table 5: National Living Wage – Impact on Salary Budget for Next 5 Years

| Weekly Rates (£) | | | | |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| NLW April 2016 | NLW April 2017 | NLW April 2018 | NLW April 2019 | NLW April 2020 |
| 7.20 p/h | 7.65 p/h | 8.10 p/h | 8.55 p/h | 9.00 p/h |
| 4,518 | 13,281 | 22,148 | 31,428 | 42,610 |

*Figures provided assume a 1% pay rise each year.

- 6.1.4 This shows us that the cost to implement the National Living Wage will be approximately £114,000 over 5 years.

6.2 Implementing the UK Living Wage (Optional)

- 6.2.1 Employers choose to pay the Living Wage voluntarily. It is an hourly rate of pay set independently and updated annually. It is calculated according to the cost of living in the UK. The calculation takes into account things like accommodation, travel, healthy food and little extras like birthday presents. The Living Wage is reviewed each year by independent academics. The rate increases are announced in November during Living Wage Week.
- 6.2.2 Information provided by the Principal Accountant in February 2016 confirms that there were 26 (12.12 FTE) employees on pay levels below the current UK Living Wage of £8.25 per hour. There is no information available on the estimated rates for the next 5 years. However, historical data on the UK Living Wage indicates that the average increase since 2011 has been 26p per year (see Table 6).

Table 6: How the UK Living Wage has increased over the last 4 years

| Year | UK Living Wage | Rate of Increase |
|------|----------------|------------------|
| 2011 | £7.20 | + 25p |
| 2012 | £7.45 | + 20p |
| 2013 | £7.65 | + 20p |
| 2014 | £7.85 | + 40p |
| 2015 | £8.25 | |

- 6.2.3 Table 7 gives a complete picture of the impact of the UK Living Wage on the salary bill for the next 5 years, based on the average increase of 26p per hour plus an assumed 1% pay award each year.

Table 7: UK Living Wage – Impact on Salary Budget

| Weekly Rates (£) | | | | |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| UKLW April 2016 | UKLW April 2017 | UKLW April 2018 | UKLW April 2019 | UKLW April 2020 |
| 8.25 p/h | 8.51 p/h | 8.77 p/h | 9.03 p/h | 9.29 p/h |
| 28,953 | 34,314 | 40,138 | 46,141 | 52,235 |

- 6.2.4 This shows us that the cost to implement the UK Living Wage would be over £200,000 over 5 years. In reality, the costs are likely to be greater than this, because these figures have been based on the average increase for the last 4 years and assume that the UK Living Wage will increase at a much slower pace than the National Living Wage, albeit from a higher starting position.
- 6.2.5 These estimates suggest that the UK Living Wage will probably reach £9 an hour by 2019. This means that it is likely that the new compulsory NLW and the aspirational UK Living Wage will have reached roughly the same level within the next four to five years.

7.0 CONCLUSIONS

7.1 From this report, Officers can conclude that:

- The Council has the smallest workforce despite Maldon and South Holland being smaller authorities (based on the number of residents).
- The Council's salary budget for the last three years is comparable to other authorities in the region.
- The number of Senior Executives seems proportionate for the size of the authority, and the salary sum per Executive seems lower than other authorities.
- The number of employees earning more than £40,000, and the number earning more than £50,000, seems to be proportionate to the size of the Council and the workforce.
- Of the 10 authorities, East Cambridgeshire has the fourth highest differential between the highest and lowest paid.
- Of the 10 authorities, 4 are paying the National Living Wage (including ECDC) and 6 are paying the UK Living Wage.

8.0 EQUALITY IMPACT ASSESSMENT

8.1 An Equality Impact Assessment (EIA) is not required.

Background Documents

Epaycheck Senior Pay Data
Report, EELGA, Sept 2015

Living Wage Discussion Paper,
EELGA, Sept 2015

Location

Room 118,
The Grange,
Ely

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Financial Impact of NLW and
UKLW, provided by Principal
Accountant (Feb 2016)