

17th March 2016

Item 10
TITLE OF REPORT: National Living Wage

Purpose of the Report

To bring to Schools Forum attention information about the implementation of the National Living Wage for Gateshead employees.

Background

The new compulsory National Living Wage (NLW) for employees aged 25 and above will be introduced on 1 April 2016 and will begin at £7.20 per hour in 2016. It is projected to rise to at least £9 per hour (possibly up to £9.35) by 2020.

The NLW is in addition to the UK Living Wage (which is £8.25 per hour) and the National Minimum Wage (NMW) rates for under 25 year olds. The different pay rates are shown below:

Pay rate	Adult rate (25 years and over)	Adult rate (21-24 year olds)	18-20 year old rate	16-17 year old rate	Apprentice rate
NLW (from April 2016)	£7.20				
NMW		£6.70	£5.30	£3.87	£3.30
UK Living Wage (outside of London)	£8.25				

The Council's lowest hourly rate is currently £7.19 per hour, i.e. SCP 8, 1 pence per hour lower than the proposed NLW from 1 April 2016.

The current final NJC pay offer for 2016-18 is a 2 year pay offer of 1% in both 2016 and 2017 for employees on SCP18 (£17,714 p.a) and below. For employees on SCPs 17 and below, the offer is an increase of between 1.01% and 6.6% in 2016 and between 1.3% and 3.2% in 2017.

The effect of this pay offer would take the Council's lowest hourly rate to £7.66 per hour (SCP 8) in April 2016, i.e. 44 pence above the proposed NLW. Gateshead's current grading structure for its lowest grades along with the rates proposed under the 2016 NJC pay offer is shown in Appendix 1.

However, the LGA have confirmed that it is unlikely that agreement will be reached on the pay offer by 1 April 2016, therefore the Council needs to make preparations to increase the pay of employees on SCP 8 in accordance with the NLW. In order to implement the NLW, and to continue to address low pay within the workforce by moving our lowest pay levels closer to the UK Living Wage, the

Council will delete SCP 8 from 1 April 2016. This will increase the lowest pay point Grade A (SCP 9) to £7.30 per hour, pending the pay award for 2016/17. There will also be a modest change to grade B which would see it move up one increment to SCP's 10 and 11. All employees on current grades A and B will receive a minimum of one increment on 1 April 2016, as well as whatever increase eventually results from the pay award for 2016.

If the current pay offer is agreed, grade A (SCP 9) will increase to £7.76 per hour, a 7.9% increase for the lowest paid employees.

The overall impact of these changes on maintained schools is an additional cost of £24,000 across all schools.

Human Resources have written to all maintained schools head teachers with the impact on their school.

Proposal

The Schools Forum notes that the NLW will be implemented from the 1st April 2016, and that HR will contact schools providing information on the impact of the Councils decision.

Recommendations

Schools Forum notes that there will be an impact on schools budgets with the implementation of the NLW.

For the following reason(s):

- To inform schools that the implementation of the NLW will impact on maintained schools.

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