

# North Lanarkshire Council Report

## Finance & Resources Committee

approval  noting

Ref FW/HL

Date 29 May 2019

## Consolidation of Living Wage into NLC Salary Scale

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### Executive Summary

Following achievement of the status of Scottish Living Wage Employer in 2017, North Lanarkshire Council made a commitment to work towards consolidation of the living wage into our salary scales. Although the Council has paid the Scottish Local Government Living Wage (SLGLW) for many years, this is currently paid as a “top up” payment for those on an hourly rate which falls below the SLGLW and impact the status of employees in grades NLC1 and NLC2. Following a full consideration of approaches for moving to a consolidated position (as opposed to a top up payment), this report sets out the preferred option, taking cognisance of both the recommendations made by the North Lanarkshire Fairness Commission and commitments set out in The Plan for North Lanarkshire.

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### Recommendations

It is recommended that the Committee

1. Approve the recommended change to the North Lanarkshire Council pay and grading model, to achieve full consolidation of the Living Wage.
2. Give agreement for changes to be applied from 1<sup>st</sup> July 2019.
3. Otherwise, note the contents of the report.

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### Supporting Documents

**Council business plan to 2020** Improve the Council's resource base.

## **1. Background**

- 1.1 Scottish Local Authorities have committed to pay the Scottish Local Government Living Wage (SLGLW) as a minimum to all employees. The SLGLW is set by COSLA annually in line with the local government pay award and is derived from the living wage.
  - 1.2 There is an ongoing expectation that all Local Authorities will aim to achieve full consolidation of the living wage by March 2021 and a number have already achieved this including South Lanarkshire and Stirling. This expectation was further ratified as part of the recent local government pay award, and this now incorporates a firm commitment for a final implementation date of 2022 for all 32 Local Authorities.
  - 1.3 As of the 1<sup>st</sup> April 2019, the SLGLW is currently £9.07; this rate includes the recent local government pay award and is currently paid to employees in grades NLC 1 to 3 as a “top up” payment which is included in the calculation of pension and other relevant allowances.
  - 1.4 The SLGLW rate of £9.07 currently falls between spinal column points (SCP) 9 and 10 on the NLC salary scale. All employees below this point are paid a “top up” to their salary so that their earnings are in line with the SLGLW. This approach mirrors the approach in other non-consolidated Local Authorities where a supplement is paid in addition to the hourly rate.
  - 1.5 The continued payment of the SLGLW as a “top up” on hourly rates below the SLGLW has eroded pay rates and differentials at the bottom of the NLC pay and grading model with spinal column points 3 to 9 all paid at the same rate.
  - 1.6 This is due to the fact that full assimilation of the living wage into the local government pay and grading framework, to create the SLGLW, has resulted in increases in spinal column points at the bottom end of the scale which are far greater than at higher levels, collapsing more than 10 points on the COSLA local government framework.
  - 1.7 The result for NLC employees has been that those on SCPs 3 to 9 in NLC1 and NLC2 are all being paid the same hourly rate. There is no differential between these grade points for staff undertaking roles that require higher skill or more responsibility. Over time this will continue to damage morale and cause recruitment and retention difficulties as well as further challenging the integrity of the pay model.
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## **2. Report**

- 2.1 Following a full and thorough consideration of a range of different options to consolidate the living wage within North Lanarkshire Council, a recommended approach is set out below for consideration and approval. The proposed implementation date for this is 1<sup>st</sup> July 2019.

- 2.2 All costs of implementation have been budgeted for in the agreed 2019/20 budget and approved with Financial Solutions and CMT. All projections and recommendations take into account the agreed pay award including the 1<sup>st</sup> April 2019 3% increase.
- 2.3 The full-time equivalent (FTE) employee numbers impacted by this proposal (1737.80 FTE) are based on an establishment report taken on 11 April 2019. Details in Table 1 below.

Table 1 – FTE by Grade/SCP at 11 April 2019

SCP	NLC1	NLC2	NLC3
14			781.76
13			362.18
12			65.14
11			61.34
10		59.95	64.81
<b>SLGLW</b>	<b>293.76</b>	<b>48.86</b>	
9			
8			
7			
6			
5			
4			
3			
<b>Total FTE per grade</b>	<b>293.76</b>	<b>108.81</b>	<b>1335.22</b>

#### 2.4. Cost of Current Position

- 2.4.1 The option of maintaining the current status quo of a “top up” payment is not open to the Council. The projected cost information for 2019/20, provided in Table 2 below, provides a benchmark of the current cost associated with the paying this top up and includes on-costs. Any costs associated with further consolidation would be in addition to this existing financial commitment.

Table 2 – Cost of paying SLGLW using FTE at 11 April 2019 and 2019 Salary\*

SCP	NLC1	NLC2	NLC3
14			
13			
12			
11			
10			
<b>SLGLW</b>			
9		£461.25	
8		£8,455.41	
7		£26,855.14	
6	£555,066.10	£24,611.18	
5	£24,388.26		
4	£31,728.28		
3	£40,391.83		
<b>Total cost</b>	<b>£651,524.47</b>	<b>£60,382.98</b>	
<b>Overall Total of Status Quo - £711,907.45</b>			

\*Costs in Table 2 are based on 2019/20 salary levels (for 37 hours per week).

## 2.5 Proposal for full consolidation to SCP10 on 1 July 2019

- 2.5.1 Set out below is our proposed approach to full consolidation of the SLGLW into the Council's pay and grading model, including restoration of the pay differentials structure for NLC1, NLC2 and NLC3.
- 2.5.2 In line with this approach, the first point of the salary scale will be set above the SLGLW at SCP10 on 1 July 2019 – currently £9.47 per hour. This means that the starting rate of pay for NLC 1 grade will move from £9.07 to £9.47 which represents a 4.3% increase on the current SLGLW pay rate for NLC 1's who are included in the "top up" payment.
- 2.5.3 NLC1 will be set as a fixed point and the current 342.63 FTE paid below SCP10 will be moved to the NLC 1 rate of £9.47. The impact on FTE is shown in Table 3 below.
- 2.5.4 NLC2 will become a two point scale with SCP10 as the grade minimum and SCP11 added as the grade maximum. The current 48.86 FTE paid below SCP10 in NLC 2 will move to this point and will progress to SCP 11 in April 2020.
- 2.5.5 NLC3 will become a four point scale with SCP11 as the grade minimum and SCP14 as the grade maximum. SCP10 will be removed from NLC3 and the 64.81 FTE currently sitting at SCP10 will move to SCP11 with a pay rate of £9.71 representing a 2.6% increase on their current rate of £9.47.

Table 3 – FTE by Grade/SCP at 11 April 2019

SCP	NLC1	NLC2	NLC3
14			781.76
13			362.18
12			65.14
11			126.15
10	293.76	108.81	
SLGLW			
9			
8			
7			
6			
5			
4			
3			
<b>Total FTE per Grade</b>	<b>293.76</b>	<b>108.81</b>	<b>1335.22</b>

- 2.5.4 This proposal immediately removes the option of having employees on SCP's that fall below the SLGLW (currently £9.07) increasing the starting point on our grade scale to a rate of £9.47 and providing additional "headroom" should there be future increases in the SLGLW above the pay award.
- 2.5.5 Importantly, although we have shortened some pay grades to achieve consolidation, the proposal has allowed us to restore progression between the three grades to ensure a fair pay structure which fully reflects roles and responsibilities between the three grades.

2.5.6 Table 4 outlines the additional costs and includes on-costs of implementing this option based on the FTE outlined in Table 3 above.

Table 4 – Additional Cost to move to SCP10

SCP	NLC1	NLC2	NLC3
14			
13			
12			
11			£39,399.13
10	£301,966.41	£38,132.56	
SLW			
9			
8			
7			
6			
5			
4			
3			
<b>Total FTE per Grade</b>	<b>£301.966</b>	<b>£38,132.56</b>	<b>£39,399.13</b>

**Total additional costs\* £379,498.10**

\*This cost is over and above the status quo cost of £711,907.45.

2.5.7 Detailed below at Table 5 is a summary of the full annual costs of the two elements of the status quo and the additional costs of consolidation and shows the total annual cost to the Council.

Table 5 – Full Costs

	General Fund	HRA	IJB	TOTAL
Status Quo	£707,847	£4,060	£0	£711,907
Additional Cost	£362,316	£8,349	£8,834	£379,499
<b>Total Annual Cost</b>	<b>£1,070,163</b>	<b>£12,409</b>	<b>£8,834</b>	<b>£1,091,405</b>

2.5.8 Although the proposal results in reduced opportunities for progression for employees in grades NLC 1 and 2, at this stage it facilitates the completion of this commitment and more importantly enables us to deliver a substantial increase in pay and progression for our lowest paid employees in the Council.

2.5.9 It should be noted that it would not be possible to achieve this and maintain the current level of SCPs per grade without a complete re-design of our current pay and grading model. This would entail a significantly more substantial and costly programme of work which we estimate would take a minimum of 12 months based on past experience.

## **2.6 Benefits and Future Resilience**

- 2.6.1 The proposal presented here achieves our stated commitment without significant cost to the Council; more importantly it restores has a clear hierarchy between the three grades which address the issue of differentials for posts with different skill and responsibility levels.
- 2.6.2 Additionally, moving NLC1 to SCP10 at £9.47 allows our own NLC salary scales to stay in front of the SLGLW rate of £9.07 having the effect of “future proofing” our current pay and grading model by allowing for some movement of the scales upwards as the SLGLW rate increases.

## **2.7 Trade Union Consultation**

- 2.7.1 The joint trade unions have been fully consulted in this work including a detailed consultation meeting with Unison, Unite and GMB which was held 30 January 2019. Unite and GMB have confirmed that they are in full support of the proposed changes and welcomed the move by the Council to achieve early consolidation.
- 2.7.2 Unison, while welcoming the positive benefits that the proposal will have for employees have indicated that they would prefer to see a full review of all spinal column points and the jobs attached to them to avoid the shortening of pay scales at the lower end.
- 2.7.3 At this time, the council does not consider that a full review is appropriate in that it would significantly delay consolidation for those who are most impacted by the current arrangement, and we would prefer to consolidate now and keep our wider pay and grading model under review in the longer term.
- 2.7.4 It should be noted that COSLA have ratified our approach by reiterating that consolidation of the Living Wage at the earliest opportunity is their main priority. They have also confirmed that they are happy for individual Council's to agree the best way for them to achieve this.
- 2.7.5 A commitment has been made to Unison that we will continue to keep the pay and grading model under review over the longer term and we will fully involve them as we progress with this work.

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## **3. Equality and Diversity**

### **3.1 Fairer Scotland**

The Committee may wish to consider this proposal in the context of the recommendations from the Fairness Commission and the Scottish Government's commitment to tackle low, in-work pay. Clear consolidation of the SLGLW at a higher point in the scale supports a key step in tackling in work poverty.

### **3.2 Equality Impact Assessment**

A full equality impact assessment has been carried out

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#### **4. Implications**

##### **4.1 Financial Impact**

The financial implications of is set out above. Full discussion has taken place with the Financial Solutions team who has confirmed that costs associated are affordable.

##### **4.2 HR/Policy/Legislative Impact**

Changes to the pay and grading model will be made in conjunction with People & Organisational Development.

##### **4.3 Environmental Impact**

There is no environmental impact.

##### **4.4 Risk Impact**

The Council has made a commitment to consolidate the SLGLW in the pay and grading model and is now required to do so as part of the pay award deal. This proposal provides greater consistency for the next few years.

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#### **5. Measures of success**

- 5.1 Support the Council's status as a Living Wage employer and reinforce our commitment to tackling in-work poverty.
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