

NORTH LINCOLNSHIRE COUNCIL

**CORPORATE AND COMMUNITY SERVICES
CABINET MEMBER**

**NATIONAL MINIMUM WAGE
IMPLICATIONS FOR COUNCIL PAY STRUCTURE**

1 OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To consider the need to make amendments to the council's pay structure, to ensure continued compliance with national minimum wage requirements.
- 1.2 That an urgent decision is taken to enable the necessary changes to be implemented as from 1 October 2011, for all employees and apprentices concerned.

2 BACKGROUND INFORMATION

Spinal Column Point (SCP) 3

- 2.1 The bottom point of North Lincolnshire Council's current pay structure is scp 3, which is £11,633 per annum. This equates to £6.03 per hour.
- 2.2 The national minimum wage main rate is currently £5.93 per hour. This will increase to £6.08 per hour with effect from 1 October 2011.
- 2.3 Scp 3 no longer exists as part of the National Joint Council (NJC) for Local Government Services pay structure. It was re-introduced by North Lincolnshire Council as part of the collective agreement on the implementation of job evaluation, on 1 January 2002. Since that time scp 3 has been uplifted by the same percentage, as any pay award applied to the NJC pay structure. A national pay award has not been made since 1 April 2009 and it is understood that a trade union challenge in respect of a pay award for 2011/2012 has now been exhausted.

Apprentices

- 2.4 The national minimum wage apprentice rate is currently £2.50 per hour. This will increase to £2.60 per hour with effect from 1 October 2011.

- 2.5 Apprentices at North Lincolnshire Council are currently paid £95.00 per week (approximately £2.57 per hour) in the first year of apprenticeship. Subject to satisfactory progress with their qualification, this is increased to £120.00 per week in subsequent years, unless they are eligible to receive a higher national minimum wage rate by virtue of their age.
- 2.6 Apprentices are entitled to a higher national minimum wage rate when they are aged 19 or over and have completed the first year of their apprenticeship.

3 OPTIONS FOR CONSIDERATION

Spinal Column Point (SCP) 3

- 3.1 The council could agree to make an additional payment to those employees on scp3 to ensure that they receive the national minimum wage with effect from 1 October.
- 3.2 The council could remove scp 3 from the pay structure and progress employees on the rate of pay to scp 4 with effect from 1 October.

Apprentices

- 3.3 The council could agree to increase the pay of those apprentices on £95.00 per week to £96.20 per week to ensure that they receive the new national minimum wage apprentice rate of £2.60 per hour with effect from 1 October.
- 3.4 The council could withdraw the £95.00 per week rate paid to apprentices in their first year of apprenticeship from the pay structure and progress apprentices on that rate of pay to £120.00 with effect from 1 October.

4 ANALYSIS OF OPTIONS

Spinal Column Point (SCP) 3

- 4.1 The first option (3.1) would resolve the problem, but the council is likely to be faced with the same situation on 1 October 2012 and in future years. A national pay award is not guaranteed for 2012/2013. Even if an award is made it would take an increase of over 2.5%, to better the trends in the increase of the national minimum wage. This is possible, but unlikely as the government has urged pay restraint in the public sector.
- 4.2 The second option (3.2) would resolve the problem and lift our lowest paid employees above the national minimum wage in a simple and straightforward way, realigning the council's minimum pay grade to that of the NJC. The cost would be higher than option one but the long-term administrative costs associated with mid-year pay adjustments for an isolated group of staff would be negated. Option two would also continue to reflect the council as an employer of choice.

Apprentices

- 4.3 The first option would resolve the problem and ensure that the council maintains an appropriate pay differential for apprentices in the first and subsequent years of their apprenticeship.
- 4.4 The second option would resolve the problem, but would result in no pay progression for apprentices who have completed the first year of their apprenticeship and are aged under 19 at that point. Apprentices are only entitled to a higher national minimum wage rate when they are aged 19 or over and have completed the first year of their apprenticeship.

5 RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 Financial

Spinal Column Point (SCP) 3

There are 49 (totaling 501 hours per week) contracted employees and up to 84 casual workers on scp 3.

- The cost of option one (including on-costs of 29.5%) would be approximately £860 in the 6 months between 1 October and 31 March. From 1 April 2012 all 49 existing employees would move to scp 4 anyway, by virtue of their right to incremental progression.
- The cost of option two would be approximately £4,492 in the 6 months between 1 October and 31 March.

The above figures exclude casual workers as there is no predictable pattern of work which makes this an undeterminable cost.

There are a further 16 (totaling 183 hours per week) contracted employees in schools, with devolved budgets on scp 3.

Apprentices

Of the council's 9 existing apprentices 4 are eligible to receive an immediate increase in pay to £96.20 effective from 1 October 2011.

- The cost of option one would be approximately £125 in the 6 months between 1 October and 31 March. Those 4 apprentices would progress to £120.00 per week upon completion of their first year of apprenticeship during May 2012.
- The cost of option two would be approximately £2,607 in the 6 months between 1 October and 31 March.

5.2 **Staffing**

Only those employees currently on scp 3 and those apprentices currently in receipt of £95.00 per week will be affected.

5.3 **Property**

None.

5.4 **IT**

None.

6 OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 CRIME AND DISORDER, RISK AND OTHER)

6.1 The council is obliged by law to pay no less than the national minimum wage.

7 OUTCOMES OF CONSULTATION

7.1 The trade unions have been consulted and raised no objections

8 RECOMMENDATIONS

8.1 It is recommended that option two (3.2) in respect of those employees currently on scp 3 and option 1 (3.3) in respect of apprentices be adopted, as detailed above.

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Background Papers used in the preparation of this report: None