

## Employment Committee

Meeting to be held on Thursday, 25 January 2024

Electoral Division affected:  
N/A;

## Foundation Living Wage Payment Method and Apprentice Pay Rate

Contact for further information:

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### Brief Summary

The report sets out the outcome of a review of the financial impacts of changing the Foundation Living Wage (FLW) payment method and an alternative Apprentice pay rate.

### Recommendation

The Employment Committee is asked to:

- i) Approve to change the payment of the Foundation Living Wage rate to a hybrid model, rather than the supplement model, as set out in the report; and
- ii) Noting that the current entry level Apprentice pay rate is £11.59 per hour and from April 2024 the National Living Wage will be £11.44 per hour, approve to align the current entry level Apprentice pay rate at the upper rate of the National Living Wage and agree that the current entry level Apprentice pay rate be "red circled" and increased in line with the National Living Wage pay rate from April 2025 and in future years.

### Detail

#### Foundation Living Wage Payment Method

In January 2022, the Employment Committee approved a change of the payment method of the Foundation Living Wage (FLW) to a supplement model. This would place staff on the Foundation Living Wage pay rate on to the National Joint Council (NJC) pay structure and a supplement (top up) would be applied each year to reflect the Foundation Living Wage pay rate, should it be higher than the National Joint Council pay rate. The approval was subject to discussions with trade unions and would be effective from April 2023.



Since that time, in part to respond to the cost-of-living pressures, for the lowest pay points the nationally negotiated National Joint Council pay increase was more than 10% in April 2022 and more than 9% in April 2023.

For the first time since the council became a Foundation Living Wage employer, these increases resulted in a greater increase in the National Joint Council pay rate than the Foundation Living Wage pay rate in April 2022. As such, the differential between the two rates has changed as illustrated below:

<b>FLW/NJC Increase and Date</b>	<b>Hourly Rate</b>	<b>Percentage</b>
FLW increase 01/04/21	£9.30 to £9.50	2.15%
FLW increase 01/04/22	£9.50 to £9.90	4.21%
FLW increase 01/04/23	£9.90 to £10.90	10.10%
FLW increase 01/04/24	£10.90 to £12.00	10.09%
NJC SCP 3 increase 01/04/21	£9.62 to £9.79	1.76%
NJC SCP 3 increase 01/04/22	£9.79 to £10.79	10.21%
NJC SCP 3 increase 01/04/23	£10.79 to £11.79	9.26%

As a consequence, the council's Executive Management Team asked for details of the financial and pay structure impacts of this change.

The financial impacts have determined that applying the supplement model (higher hourly rate) would currently result in a circa £3.3m additional financial pressure (not including vacancies or schools funded posts) than was originally envisaged when the Employment Committee took the decision in January 2022. This is entirely due to the significant National Joint Council pay increases over the last two years.

The Executive Management Team remain committed to the principles of a supplement model but with a different financially focused approach, which is to apply the greater percentage increase between the National Joint Council (Spinal Column Point 2) and Foundation Living Wage pay increases rather than the greater hourly rate increase. This approach will ensure the council continues to apply Foundation Living Wage pay rates and also provides a commitment to pay the higher percentage increase that supports the principles of a supplement model. This proposal would result in retaining a Foundation Living Wage pay rate on the council's pay structure, separate to the National Joint Council pay structure.

This proposal would apply if the percentage increase for National Joint Council Spinal Column Point 2, which is the lowest National Joint Council Spinal Column Point, was a higher percentage increase than the Foundation Living Wage percentage increase.

I.e. if National Joint Council Spinal Column Point 2 received a 10% increase for 2025 and Foundation Living Wage received a 9% increase, the council would apply an additional 1% increase on top of the Foundation Living Wage. If the percentage increase for National Joint Council Spinal Column Point 2 was the same or a lower percentage increase than the Foundation Living Wage percentage increase, there would be no additional payment on top of the Foundation Living Wage pay rate.



## Apprentice Pay Rate

The National Joint Council Pay Agreement removed the lowest national pay point (NPS 1) effective from April 2023. At that time, this pay point was used as the pay rate for around 25 entry level Apprentices. An alternative pay rate is therefore required.

Entry level Apprentices are currently paid an hourly rate of £11.59 which is aligned to the NPS 2, following the removal of NPS1 and pending an alternative proposal being approved.

The entry level Apprentice pay rate does not form part of the council's grading structure. Therefore, a proposed reasonable alternative would be to apply the upper limit of the National Living Wage pay rate effective from April 2024 onwards. As the current entry level Apprentice hourly pay rate (£11.59) is higher than the new April 2024 hourly rate (£11.44), the current Apprentice pay rate would be "red circled" and increased in line with the National Living Wage from April 2025 and future years.

## **Consultations**

The proposed approach to the Foundation Living Wage payment method has been discussed with the council's recognised trade unions and they have noted the proposals, and, if approved have proposed to consolidate the Foundation Living Wage payment method into a Collective Agreement. The alternative pay rate for entry level Apprentices has also been discussed with the trade unions and their preference would be to align them to a National Joint Council pay point rather than the National Living Wage. It has been explained that the entry level Apprentices are not part of the council's job evaluated pay structure and therefore National Living Wage is considered to be a reasonable alternative pay rate.

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

### Financial

The model detailed above does not have any financial implications for the 2024/25 budget. The Medium Term Financial Strategy includes budget for payment of £12 per hour for the Foundation Living Wage in 2024/25. Those employees on Spinal Column Point 3 and Spinal Column Point 4 will be temporarily paid at £12 per hour until the National Joint Council 2024/25 pay award is agreed. However, this will not be an additional cost. It will ensure that all employees are paid at least the Foundation Living Wage.



**Local Government (Access to Information) Act 1985  
List of Background Papers**

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

