

Impact of Living Wage & Employer National Insurance Contributions

Meeting: Employment Committee

Date Of Meeting: 19 November 2024

Report Author(s): Amanda Jeffrey

Lead Officer: Kevin Foster | Kevin.Foster@woking.gov.uk

Portfolio Holder: Cllr Ann-Marie Barker | CllrAnn-Marie.Barker@woking.gov.uk

Date Published: 15 November 2024

Will the decision be open for call in (i.e. is it a key decision)? Yes No

Does the report contain confidential or exempt information? Yes No

1.0 Purpose of Report

1.1 To update the Committee on increases to the Living Wage & Employer National Insurance Contributions (NIC) and the impact of this to the Council.

2.0 Recommendations

2.1 The Committee is requested to:

RESOLVE THAT

- i. **The increases to the living wage and employer NIC and impact of this on the Council are noted.**

Reason for Decision

2.2 To note impact of increases to employers NIC and Living Wage.

3.0 Outcome

3.1 Both increases represent an additional financial pressure for the Council which have been taken into account in the latest Medium Term Financial Strategy (MTFS).

4.0 Background

4.1 The latest Budget confirmed the following in regard to National Insurance Contributions:

NIC unchanged for working people. The Chancellor confirmed that the rates of NICs, would remain unchanged for working people.

Impact of Living Wage & Employer National Insurance Contributions

However, employer's NICs will increase. The rate of employer's NICs will increase by 1.2 percentage points from April 2025. In addition, there will be a lowering of the secondary threshold (ST) which means employers will start to pay NICs on employees earnings from £5,000 instead of the current £9,100 threshold.

- 4.2 The direct annual cost to Woking Borough Council on the NI increase from 13.8% to 15%, and the decreased threshold, is estimated at £279,000.
- 4.3 Whilst government has committed to reimbursing local authorities of this cost, it has not confirmed what methodology will be used.
- 4.4 Ahead of the budget, the Government also announced that the National Living Wage rate from 1 April 2025 for over 21s, will be £12.21 per hour, a 6.7% rise. While the national minimum wage for 18 to 20-year-olds will increase by 16.3% to £10.00 per hour.
- 4.5 Apprentices and 16 to 17-year-olds will also receive an increase of 18%, from £6.40 to £7.55 per hour.
- 4.6 The Council has a legal duty to pay the National Living Wage. However, since 2015 Woking Borough Council has applied the real Living Wage for over 21s. This is higher than the National Living Wage and is currently £12.00 per hour equivalent to £23,151 per annum. This is the lowest salary on the Council's pay scale.
- 4.7 The real Living Wage is determined by the Living Wage Foundation. The rates are calculated annually by the Resolution Foundation and overseen by the Living Wage Commission, based on the best available evidence about living standards in the UK.
- 4.8 The real Living Wage rate for 2025/26 has recently been announced and is now £12.60 per hour which equates to £24,309 per annum.
- 4.9 The Council currently has 27 employees on the lowest pay point, pay grade W1, within the pay scheme. Should the Council increase this by the National Living Wage, i.e. £12.21 per hour, the per annum cost would be approximately £4,850. Alternatively, should the Council continue to implement the Real Living Wage increase, i.e. £12.60 per hour, as in previous years, this would cost approximately £13,850 per annum.
- 4.10 Once the pay award is known it will need to be evaluated whether there is any impact on the payscale structure.
- 4.11 The Council also has four trainee/apprenticeship grades 'T' grades, the hourly rates of which mirror the national rates. The Council has a legal obligation to implement these rates.

| Current Trainee/Apprentice Grades | | | Hourly rates From April 2025 |
|-----------------------------------|-------------|----------------|------------------------------|
| T1 | Apprentices | £6.40 per hour | £7.55 per hour |

Impact of Living Wage & Employer National Insurance Contributions

| | | | |
|----|---------------------|-----------------|-----------------|
| T2 | 16- to 17-year-olds | £6.40 per hour | £7.55 per hour |
| T3 | 18- to 20-year-old | £8.60 per hour | £10.00 per hour |
| T4 | Age 21 or over | £11.44 per hour | £12.21 per hour |

4.12 The Council has one employee paid within grade T1. This increase will cost the Council an additional £3,859 per annum.

4.13 There may also be additional NIC and minimum wage costs incurred by our suppliers/contractors. If they try to pass these onto the Council, there may be additional indirect costs for WBC. These costs have not yet been quantified and are not reflected in the forecast budget position.

5.0 Options Considered

5.1 A recommendation to implement either the National Living Wage or real Living Wage from April 2025 will be made in the new year, alongside the other considerations on pay increases for staff.

6.0 Implications

Legal

To comply with its legal obligations the Council must implement the increase to employers NIC and pay the National Living Wage, National Minimum Wage and Apprentice rate.

Resources (including finance)

6.1 The cost of the increase to the employer's NICs is estimated to be £279,000, which has already been factored into the MTFs forecasts due to be presented to members in December. There is a commitment to reimburse public sector bodies for the additional costs incurred due to the NIC changes, although the detail of how this will operate is not yet known. This commitment does not extend to third party suppliers. Therefore, while it is likely that much of this £279k direct cost will be funded, the indirect impact on contract costs, for example in waste collection, leisure services etc are not yet known and could form a further budget pressure.

6.2 For the minimum wage changes, to increase the lowest point on the Council's pay scheme by the National Living Wage is approximately £4,850 per annum. To increase the lowest point on the Council's pay scheme by the real Living Wage would be approximately £13,850 per annum. The total projected cost of £18,700 will be factored into subsequent MTFs forecasts as an additional financial pressure.

Impact of Living Wage & Employer National Insurance Contributions

Risks and Mitigation

6.3 There are no additional risks.

Consultation, Equality Impact Assessments

6.4 Additional consultation has not been undertaken at this stage. Consultation with UNISON will need to take place if the Council decides not to implement the real Living Wage from April 2025.

6.5 A separate Impact Assessment is not required at this stage.

Environment and Climate Change

6.6 There are no environmental impacts to consider.

Report Ends