

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM REPORT TO CABINET

Date: 10th December 2014

Title Living Wage Accreditation

Submitted by: Head of Business Improvement, Central Services & Partnerships

Portfolio: Finance & Resources

Wards Affected: Not Applicable

Purpose of the Report

To obtain approval from Cabinet on the final phase of the Living Wage implementation process.

Recommendations

- (a) That Cabinet notes the contents of this report;
- (b) That Cabinet agrees to the Council completing the final stages in becoming an accredited 'Living Wage Employer'; and
- (b) That Cabinet agrees to the requirements linked to the milestones included as part of the accreditation process (schedule 3, page 9 of the Accreditation License Agreement, information appended to this report)

Reasons

This report sets out the work done in preparing the Council to become a Living Wage Employer and also identifies the final stages in this process. The report and its recommendations support the Cabinet's endorsement of the 'Living Wage Initiative' report submitted to Cabinet in January 2013.

1. Background

- 1.1 The UK Living Wage Campaign was launched by members of *London Citizens* in 2001. The Living Wage Foundation, which is part of *Citizens UK*, is responsible for promoting, supporting and administering the formal accreditation of Living Wage employers. Once accredited, organisations can display and use the Living Wage Employers' Mark.
- 1.2 The Living Wage calculation takes into account the Joseph Rowntree Foundation Minimum Income Standard research in which members of the public identify what is needed for a minimum standard of living. This analysis is then combined with an analysis of the actual cost of living including essentials like rent, council tax, childcare and transport to produce the Living Wage figure.

- 1.3 Under the terms of the Living Wage initiative, employers commit to ensuring contracted workers - who work on their premises for two or more hours per week in any given day in a week and for eight or more consecutive weeks in a year - are paid the 'living wage' (£7.85 per hour). This not only includes individuals who are employed directly but also, by reviewing procurement processes, those who work for sub-contractors, although individuals on recognised apprenticeships are not included.
- 1.4 The accreditation process does not require a council to intervene and amend existing contracts. Using typical commissioning and procurement processes, a council would need to review the requirements for integrating a Living Wage as contracts came up for renewal. In addition, a monitoring framework would need to be put in place to ensure that progress is maintained and monitored and benefits identified.
- 1.5 The Living Wage, being an hourly rate of pay, is set independently and updated annually. It was announced on 3rd November 2014 that the UK Living Wage has increased by 2.61% from £7.65 to £7.85 per hour. The national figure is calculated by the Centre for Research in Social Policy at Loughborough University (previous annual increases all being approx. £0.20 per/hour). Based on a full-time employee working 37 hours per week, the Living Wage equates to about £15,013 per annum (excluding on-costs).
- 1.6 Members will recall that a report on the Living Wage was presented to Cabinet in January 2013 and recommended "that arrangement is made for the Living Wage Initiative to be implemented for council employees from 1 April 2013 and for the council to obtain accreditation as a Living Wage Employer". This recommendation was agreed by Cabinet at that meeting.

Impact on Current Employee Contracts

- 1.7 The Borough Council intends to continue to pay the Living Wage as a 'supplement' to employees in the following posts:

Cleaners	16
Casual Mini Soccer Assistants	10
Casual Fitness Trainers	4
Casual Visitor Services Assistants	5
Casual Learning Assistants	3

Impact on Third Party Service Contracts

- 1.8 A review of existing Borough Council service contracts has been undertaken and proposals agreed on how the Living Wage (in line with the guidance published by the Living Wage Foundation) should be introduced. The following points describe this process in different areas of Council activity.
 - 1.8.1 **Kerbside Collection of Dry Recyclables (Waste and Recycling)** - this contract is due to expire in 2016. The Council is currently reviewing its options on future service delivery which may involve internalising the service with an intention of paying the Council's standard rates of pay which currently exceed the Living Wage rate. Estimated costs in paying the Living Wage immediately based on the current Living Wage rate (but excluding on-costs) would be £72,654pa;

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- 1.8.2 **Grounds Maintenance Contract (Bereavement Service)** – this contract is due to expire in 2018 at which time the Council intends to review the service options available taking into consideration the Living Wage. Estimated costs in paying the Living Wage immediately for the bereavement services contract, based on the current Living Wage rate (but excluding on-costs) would be £23,810pa;
- 1.8.3 **Café Operation (Jubilee 2)** – this is a concessions contract that officers will review annually (as part of ongoing contract management and a review of financial performance with the service provider); an outcome being an intention by officers to assess the opportunity to align pay rates to the Living Wage. The estimated loss of income in paying the Living Wage immediately based on the current Living Wage rate (but excluding on-costs) would be £15,217pa;
- 1.8.4 **Cleaning Service (Jubilee 2; Museum; Crematoria and Cemetery)** – a new contract has recently (September 2014) been awarded based on payment of the Living Wage the impact on the authority being a cost of £21,300 over the (2 year) life of the contract.

Procurement

- 1.9 Officers as part of (and prior to) any future procurement for service contracts will need to:
 - 1.9.1 Consider staffing arrangements in the delivery of the contract i.e. “the Licensee shall ensure to the extent permitted by law that any of its contractors which supply an employee (other than an apprentice or intern) who provides a service to or on behalf of the Licensee involving two or more hours of work in any given day in a week and for eight or more consecutive weeks in a year” pay the Living Wage;
 - 1.9.2 Consider the budget implications in delivering the Living Wage;
 - 1.9.3 Consider the implications on the market for the provision of such services and the potential to have a disproportionate impact on small organisations wishing to bid for contracts; and
 - 1.9.4 Consider the practical approach to promoting a Living Wage through procurement policy

Application Process

- 1.10 The application pack sets out the accreditation process:
 - 1.10.1 The Living Wage Employer Mark is awarded by a signed licence agreement between the employer and the Living Wage Foundation. The licence commits the employer to pay all staff, including regular contracted staff such as cleaners and catering staff, the Living Wage. The licence is a legally binding document;
 - 1.10.2 Schedule 3 – milestones are relevant for employers who are intending to undertaking a phased implementation. A phased implementation means an employer is rolling the Living Wage out across contracts as they come up for renewal. Narrative has been added to schedule 3 of the application and will need to be approved by EMT and Cabinet prior to submission to the Living Wage Foundation.

- 1.10.3 Schedule 4 – Living Wage Impact Monitoring requires the Council to provide information on the “impact on directly employed staff” and “impact on third party contracted and subcontracted staff”;
 - 1.10.4 As previously indicated, the Living Wage rate is reviewed annually in November of each year and employers have six months from the date of the announcement to implement any increase in the rate; and
 - 1.10.5 There is a fee for accreditation which varies according to the size of organisation. The cost to NULBC would be circa £400 p.a.
- 1.11 A copy of the license agreement is appended to this report and is ready for submission following approval by Cabinet. Should Cabinet approve the agreement, then it will be submitted in December 2014, and accreditation should be secured sometime in January 2015.

2. Issues

- 2.1 Issues linked to current employee contracts will be addressed by the payment of an ongoing supplement.
- 2.2 Issues linked to current third party service contracts will be addressed by a mixture of ongoing contractual reviews and/or the integration by the Borough Council of the Living Wage as identified contracts come up for renewal.
- 2.3 As part of the introduction of any future service contracts, officers will be required to consider the budgetary and market implications prior to commencing any procurement process.

3. Options considered

- 3.1 This report highlights the final stages of accreditation as previously approved by Cabinet.

4. Outcomes Linked to Sustainable Community Strategy and Corporate Priorities

- 4.1 The initiative complements the Sustainable Community Strategy in providing and improving economic wellbeing.

5. Legal and Statutory Implications

- 5.1 There are no legal or statutory requirements for employers to pay the Living Wage.

6. Equality Impact Implications

- 6.1 The Living Wage is applied to all employees whose current hourly wage rate is less than £7.85 per hour. The additional amount payable will be shown as a separate ‘Living Wage Supplement’ so that the integrity of the Council’s pay and grading structure is not compromised.

7. Financial and Resource Implications

- 7.1 The annual cost linked to paying the supplement to employees identified in paragraph 1.7 for 2014/15 based on the new Living Wage rate is £11,075 (including employer’s on-cost), with an appropriate provision being made in the budget.

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- 7.2 One new contract has been awarded based on the payment of the Living Wage to staff delivering the services, the cost impacts were raised at the time of seeking approval from Cabinet for the award of the contract, these costs being an additional £21,300 over the two year contract. This cost includes Living Wage rate increases over the period of the contract.
- 7.3 The total cost if the Council were to apply the Living Wage immediately to those contracts identified in para 1.8.1 to 1.8.3 would be £111,681 (albeit £15,217 of this total would be a loss of income linked to the concessions contract at Jubilee 2). However as the accreditation process does not require a council to intervene and amend existing contracts the council needs to review the requirements for integrating a Living Wage as each contract comes up for renewal.
- 7.4 No budget provision currently exists for the items outlined in paragraph 7.3. If the Council were to apply the Living Wage to those contracts the usual budgetary approval processes would have to be followed.
- 7.5 There will be an ongoing annual cost of circa £400 to maintain the licence agreement.

8. Major Risks

- 8.1 It is not anticipated that the implementation would result in any equal pay challenges or job evaluation related issues, provided the additional payments are shown distinctly as a separate 'Living Wage Supplement'.

9. List of Appendices

Accreditation License Agreement Information (Appendix " ")

10. Background Papers

'Living Wage Initiative' - report to Cabinet (16th January 2013)

11. Management sign off

Each of the designated boxes need to be signed off and dated before going to Executive Director/Corporate Service Manager for sign off.

	Signed	Dated
Financial Implications Discussed and Agreed		
Risk Implications Discussed and Agreed		
Legal Implications Discussed and Agreed		
H.R. Implications Discussed and		

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Agreed		
ICT Implications Discussed and Agreed		
Report Agreed by: Executive Director/ Head of Service		

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