

BABERGH DISTRICT COUNCIL

From: Cabinet Member - Finance	Report Number: BCa/17/37
To: Cabinet	Date of meeting: 7 December 2017

LIVING WAGE MOTION TO COUNCIL

1. Purpose of Report

- 1.1 To consider the proposal of ensuring that Babergh's contractors are paid at least the Living Wage, so that the Council can declare itself a Living Wage Employer, as outlined in a Motion to Council on 24 October 2017 by Councillor Luke Cresswell.

2. Recommendation

- 2.1 That the Council does not pursue the option of working towards accreditation as a Real Living Wage Employer.

Reason: Due to the cost and resource implications associated with becoming accredited.

3. Financial Implications

- 3.1 There would be an increased cost to the Council to become an accredited Real Living Wage Employer, but it is not possible to quantify this because contractors are not obliged to disclose this information to the Council under the current standard conditions of contract.
- 3.2 There would also be an internal resource cost in terms of establishing which current and future contracts it would apply to and then discussing this and negotiating revised terms and conditions with contractors.

4. Legal Implications

- 4.1 If the Council wishes to require contractors to pay the Real Living Wage, then the standard conditions of contract would need to be rewritten and agreed with the Shared Legal Team.

5. Risk Management

- 5.1 This report is not closely linked with any of the Council's Corporate / Significant Business Risks. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If there are additional costs associated with	4 – Highly Probably	3 – Bad / Serious	Consider the importance of seeking

accreditation, then the Council will need to consider how this additional resource is found.			accreditation before the costs are incurred.
If some contractors are disadvantaged by the Council's requirement to pay the Real Living Wage, then there will be less competition for contracts and potential for further increases in costs.	3 - Probable	3 – Bad / Serious	Consider the importance of seeking accreditation before contractors are negatively impacted.

6. Consultations

6.1 None

7. Equality Analysis

7.1 An equality analysis has not been undertaken for this report, but if the decision was taken to aim for Real Living Wage Employer Accreditation then it would have a positive impact across all groups including those with protected characteristics.

8. Shared Service / Partnership Implications

8.1 If Babergh wishes to pursue accreditation, then there will be knock-on implications for contracts that have been let jointly with Mid Suffolk District Council. If agreement cannot be reached, this may result in separate contracts being let in the future thereby losing some economies of scale.

9. Links to Joint Strategic Plan

9.1 This report most closely links to the financially sustainable council ambition within the Joint Strategic Plan, as any additional costs incurred by applying for accreditation could impact on the resources available to deliver the ambition of the plan or could exclude some contractors from working with the Council to achieve its aims.

10. Key Information

10.1 At the Council meeting on 24 October 2017 a Motion was put to Council by Councillor Luke Cresswell "That this Council resolves to establish, without undue delay, a timetable for ensuring that the employees of all its contractors are paid at least the Living Wage in order that Babergh is in a position to declare itself a Living Wage employer by no later than one year from today." It is understood that this is a Motion that the Labour Party is submitting to all local authorities across the country.

10.2 At the Council meeting it was resolved to refer the matter to Cabinet for discussion. This report is providing the necessary information for Cabinet to consider the matter.

10.3 Whether the Council should seek accreditation to become a Living Wage Employer was previously explored in 2014. It was concluded that accreditation should not be pursued at that point in time on the basis of the additional costs incurred and the resource required to manage arrangements with relevant contractors.

Definitions of Wage Rates

10.4 There is currently a range of Wage Rates which are described in the following table (source: Living Wage Foundation).

Explaining UK Wage Rates

	THE MINIMUM WAGE <i>Government minimum for under 25s</i>	NATIONAL LIVING WAGE <i>Government minimum for over 25s</i>	REAL LIVING WAGE <i>The only wage rate on based on what people need to live</i>
WHAT IS IT?	£7.05	£7.50	£8.45 across the UK and £9.75 in London
IS IT THE LAW?	Statutory	Statutory	Voluntary
WHAT AGE GROUP IS COVERED?	21 and older	25 and older	18 and older
HOW IS IT SET?	Negotiated settlement based on recommendations from businesses and trade unions	A % of medium earnings, currently at 55%, it aims to reach 60% of median earnings by 2020.	Calculation made according to the cost of living, based on a basket of household goods and services
IS THERE A LONDON WEIGHTING?	No London Weighting	No London Weighting	Yes - Separate higher rate for London

10.5 The Real Living Wage is based on the cost of living and is voluntarily paid by 3,500 UK employers.

10.6 In April 2016, the government introduced a higher minimum wage rate for all staff over 25 years of age, which is based on a target to reach 60% of median earnings by 2020. Under current forecasts this means a rise to around £9 per hour by 2020.

10.7 The Real Living Wage rates are higher because they are independently calculated and are based on living costs.

10.8 To become an accredited Living Wage Employer the Council must pay the real living wage to all its directly employed staff and have a plan in place to pay its on-site contractors a living wage.

- 10.9 The Council currently pays its directly employed staff at the real living wage level, but does not currently have a plan in place to pay contractors a living wage.
- 10.10 Of the other Councils in Suffolk, Ipswich Borough Council is the only one that is an accredited Living Wage Employer, but the others are all paying their directly employed staff at the real living wage level.
- 10.11 Across the country there are approximately 60-70 accredited local authorities, but the majority of these are London Boroughs or Scottish councils. There are only 4 district councils that are currently accredited.

Including the requirement to provide the Real Living Wage in Future Contracts

- 10.12 The requirement to provide the National Minimum Wage or National Living Wage is a statutory requirement and thus is already included in the Council's contracts. However, the Council does not monitor this compliance, nor do the terms and conditions of the contracts provide an obligation on the contractor to allow the Council to undertake this.
- 10.13 Introducing a requirement for the Council's contractors to pay the Real Living Wage can be undertaken however the following should be considered:
- Contracts are often let jointly with Mid Suffolk, so agreement from both Councils' will be required.
 - The Real Living Wage cannot be made a requirement for procurements subject to the UK Public Contract Regulations, as contracting authorities are unable to make payment of the Real Living Wage a mandatory requirement as part of a competitive procurement process where the Real Living Wage is greater than any minimum wage set by or in accordance with law.
 - The requirement to pay the Real Living Wage would increase contractors' costs which Small and Medium Enterprises (SMEs) would have a lower capacity to bear than larger companies and thus could be disadvantaged in competitive procurements.
 - If the requirement is introduced to have meaning, the Council will need to have the resources to monitor compliance.

Implementing the Real Living Wage with Existing Contractors

- 10.14 Currently the Council does not have access to details about staff costs within its contracts and the contractors are under no obligation to share this information with the Council or to agree to implement the Real Living Wage.
- 10.15 To implement the Real Living Wage with existing contractors the Council will need to consult with each of its existing relevant contractors and negotiate a solution. To achieve the Real Living Wage, the Council is likely to incur additional costs.
- 10.16 Babergh currently has outsourced contracts in the following relevant areas:
- Waste Services (collection and recycling)
 - Leisure Services

- Open Spaces and Street Cleaning
- Caretaking and Security
- Whole House Servicing (Electrical, mechanical, and plumbing)
- Very Sheltered Homes
- Works and building contracts (job and finish basis).

Accreditation for the Real Living Wage

- 10.17 The Real Living Wage applies to all staff over the age of 18 who work regularly for the Council, this is those who work two or more hours a day for 8 or more consecutive weeks of the year. This includes employed staff and staff of suppliers providing services and works, it does not include suppliers providing goods and equipment.
- 10.18 To obtain accreditation the Council must pay its own staff the Real Living Wage and have a plan in place for contractor's staff who fall within the relevant criteria. The Council can pay the contractor's staff the additional wages to the level of the Real Living Wage just for the hours they work for the Council.
- 10.19 Apprentices and Interns do not have to be included, but it is recommended that employers who can afford to pay the Real Living Wage to these members of staff do so.

11. Options Considered

- 11.1 The two options that have been considered are:
- (a) That the Council pursues the option of working towards accreditation as a Real Living Wage employer
 - (b) That the Council does not pursue the option of working towards accreditation.

12. Background Documents

- 12.1 Further information can be found on the Living Wage Foundation website using the link www.livingwage.org.uk

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