

Report to	County Council
Date of meeting	28th, January, 2020
Lead Member / Officer	Cllrs Julian Thompson-Hill
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1. What is the report about?

The purpose of this paper is to provide information and to consider the implications: -

- 1.1. paying the Real Living Wage (RLW)
- 1.2. of becoming a Living Wage accredited employer.

2. What is the reason for making this report?

County Council originally considered the implications of paying the Real Living Wage in December, 2018 and it was requested then that the Council receives, in December 2019, a report on the recommendations of the Real Living Wage Foundation and the outcome of the national pay negotiations, and, if there is a differential between the two, decide whether or not to pay the Real Living Wage to its staff in the following financial year.

3. What are the Recommendations?

That council note the estimated cost implications of paying the Real Living Wage and becoming a Real Living Wage employer.

That Council agreed to wait for the National Pay Agreement in April 2020.

4. Report details

Background

There are two types of Living Wage and they are as follows: -

National Living Wage

The National Living Wage (NLW) was introduced in the July 2015 UK budget. The Chancellor announced a compulsory 'National Living Wage' (NLW) of £7.20 to be introduced in April 2016 for those aged over 25. This has since increased annually and all employers are required, by law, to pay the 2019 rate of £8.21 to employees over the age of 25.

The Government's Low Pay Commission have recommended future rises of National Living Wage, with the Government aiming for it to reach £9.00 per hour by 2020.

The Real Living Wage

The Real Living Wage is an hourly rate of pay that has been calculated independently by the Living Wage Foundation. It is proposed that this is the minimum wage that a worker, over the age of 18, needs to earn to cover basic living costs. As of the 1st November, 2019 the Living Wage is £9.30 per hour, with a higher rate in London to reflect the higher living costs. The rate is set annually by the Living Wage Foundation and Loughborough University's Centre for Research.

There is no statutory obligation for employers to pay the Real Living Wage but some organisations have voluntarily become accredited Real Living Wage employers.

The Living Wage Foundation states that paying the non-statutory living wage is good for businesses as it improves quality of life for their employees, which has a positive impact on reputation as an employer, absence rates, recruitment and retention rates improving and productivity.

Once an employer voluntarily pays the Real Living Wage they have the option to apply for accreditation from the Living Wage Foundation, which allows them to advertise themselves as a Living Wage Employer and appear on their list of accredited employers, and pledge to increase their hourly rate in line with any increases in the Real Living Wage.

There are currently over 5,955 accredited Living Wage employers, which includes 113 councils in the UK, including town and district councils. Cardiff Council are the only City Council in Wales to be accredited, along with three Town Councils.

Becoming an accredited Living Wage Employer means that the organisation would be duty bound to pay any increase in pay within 6 months of it being set regardless of their financial position or means to do so.

Current Position

Whilst Denbighshire's pay structure is unique to the County, we use the nationally set Spinal Column Points (SCP) to set our grades. Currently our minimum pay is £9.00 per hour, which is Grade 1 SCP1 and has been since 1st April 2019, when the National Joint Committee implemented new national pay structure for Councils, ensuring that the bottom point met the Real Living Wage in April 2019. Grade 1 only has one spinal column point, so it affects all employees on Grade 1.

The National Employers for Local Government Services and Trade Unions are currently in negotiations as to the cost of living increase for April 2020, and indications are that we are unlikely to have any updates until after April 2020.

From 1st April, 2019 the council have been paying the equivalent of the Real Living Wage to employees on Spinal Column Point (SCP) 1 of £9.00 per hour, but as mentioned the Real Living Wage is reviewed in November each year, so we are now paying 30p per hour under the current Real Living Wage. Looking at previous pay awards, and the recent Teachers Pay increase it would be sensible to expect a maximum of a 2% increase, which could potentially increase SCP 1 to £9.18 per hour from April 2020, which is still less than the Real Living Wage.

All employees on SCP 1 of Grade 1 and SCP 2 of Grade 2 are currently paid under £9.30 per hour. There are 665 (534 on SCP 1 and 131 in SCP 2) employees who are currently on these points. The option of accreditation as a Real Living Wage employer would also mean that the council would need to ensure that it pays any contractors or providers with the same rate of pay as employees. The cost implication of this element is much more significant than the impact on internal pay costs and would create an additional budget pressure in 2020/21 of at least £1.1m. There is also a nominal fee to be paid on a sliding scale to the Living Wage Foundation depending on the number of employees in the Council.

5. How does the decision contribute to the Corporate Priorities?

Becoming an accredited employer would potentially contribute to the Corporate Priority of resilient communities by providing better paid employment opportunities. However, the cost implications mean that service cuts would be inevitable which might adversely impact the council's ability to deliver some of its priorities.

6. What will it cost and how will it affect other services?

The estimated cost would be £137k for the period November, 2019 – March, 2020 based on an estimated increase in the Living Wage to £9.30 per hour and based on it being implemented immediately (rather than within the six months allowed). There would also be a continuing cost each year thereafter which, if the pay agreement results in a 2% increase, would result in an additional pressure of £256k (this also assumes a further increase of 3% in the Real Living Wage from November 2020). However, the next national pay award may well address any differential from April 2020 as recent agreements have given lower paid staff a higher percentage increase in pay.

The impact on the cost externally commissioned services is potentially much more significant.

Analysis of the toolkit used to inform the fees paid to residential and nursing care providers for older people (which uses the National Living Wage as the benchmark to determine some, but not all, of the hourly rate calculation) estimates that on current levels of provision, the increased cost of benchmarking to the Real Living Wage in 2020/21 would be at least £1.1m, rising to £1.6m if the rate is increased in line with previous years.

There would also be an implication on other commissioned contracts, such as domiciliary care and care provided to younger adults.

7. What are the main conclusions of the Well-being Impact Assessment?

This report has been produced in response to a motion to highlight the implications of a policy and is not making a recommendation about policy implementation.

8. What consultations have been carried out with Scrutiny and others?

This report is responding to a motion from the County Council requesting information about the cost implications of a policy and as such has not been consulted upon.

9. Chief Finance Officer Statement

The current national pay negotiations are still ongoing. It is unlikely that the result will be less than the projected 2% and would also involve some form of extra protection for the lower paid as in previous years. It is hoped that the negotiations can be brought to a conclusion within a reasonable timeframe and the calculations for 2020/21 can be revisited. From a financial management perspective, it would be beneficial to utilise the 6-month implementation period. Any additional in-year commitment for 2019/20 would increase the current net overspend and would have to be funded from Base Level Reserves

The potential cost of becoming a RLW accredited employer however is much more significant. On the commissioned residential and nursing care sector alone, the immediate additional cost is estimated to be over £1m. As this is not a statutory requirement, the council has not budgeted for this additional cost and it would have to be funded by cutting services and staff elsewhere in the organisation.

10. What risks are there and is there anything we can do to reduce them?

The report is outlining the potential cost implications of a policy and is not making a recommendation. However, the report does highlight that the potential full cost of the policy would be significant and is not currently built into future budget plans. The key risk would be to progress the policy without it being clear how the cost would be funded.

11. Power to make the decision

Provision of the cost implications reported under Section 151 of the Local Government Act 1972.