

Report to	County Council
Date of meeting	26th January, 2021
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: -

- paying the Real Living Wage (RLW)
- 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 then in January 2020 following the national pay negotiations. It was then requested that the Council received a further report in January 2021 to consider the current situation and if there is a differential between the National Pay Award and the Real Living Wage 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.

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 April 2020 rate of £8.72 to employees over the age of 25.

The Government's Low Pay Commission have recommended future rises of National Living Wage, with the Government was aiming for it to reach £9.00 per hour by 2020, but it hasn't reached this amount as yet.

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, 2020 the Living Wage is £9.50 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 7,111 accredited Living Wage employers, which includes 122 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 (the following April) 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 £9.25 per hour, which is Grade 1 SCP1 and has been since 1st April 2020, following the National Pay Award. This is 5 pence less than November, 2019 Real Living Wage which was £9.30 per hour. Grade 1 only has one spinal column point, however Grade 2 (SCP 2) is currently £9.43 per hour. So it affects all employees on Grade these 2 Spinal Column Points.

In the Government's November Spending Review 2020 it was announced that as part of the response to the economic impacts of the Covid-19 Pandemic that public sector pay will be "paused" for 2021/22 with an exemption for NHS staff and workers earning below £24,000 who will receive a pay raise of at least £250.

The above policy is not binding on Local Government as their pay is not recommended by the Public Review Bodies who provide information to the Government Ministers. The Local Government Association who represent the employers side in the National Joint Council has said that it is not bound by this pay policy but that pay awards will depend on the funding that local government receives through the financial settlement ([www.https://commonslibrary.parliament.uk/research-briefings/cbp-8037](https://commonslibrary.parliament.uk/research-briefings/cbp-8037))

From 1st April, 2020 the council have been paying 5 pence less than the Real Living Wage to employees on Spinal Column Point (SCP) 1 of £9.25 per hour, and 7 pence less on Grade 2 (SCP) 2 of £9.43 per hour, but as mentioned the Real Living Wage is reviewed in November each year, so we are now paying 25p per hour under the current Real Living Wage of £9.50 per hour.

All employees on SCP 1 of Grade 1 and SCP 2 of Grade 2 are currently paid under £9.50 per hour. There are 725 (657 on SCP 1 and 68 in SCP 2) contracted posts who are currently on these points, in addition we also have 880 relief workers 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 2021/22 in excess of £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 for contracted employees would be £37,458 (excluding oncosts) for the period November, 2020 – March, 2021 based on an estimated increase in the Living Wage to £9.50 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.

The impact on the cost of 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 2021/2 would be in excess of £1m and which would rise in each subsequent year.

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 for next year have yet to begin in earnest and it is very difficult to predict the outcome following the Chancellor's announcement on pay restraint. It is hoped that the negotiations can be brought to a conclusion within a reasonable timeframe and the calculations for 2021/22 can be revisited. The current budget proposals provide for an estimated increase of 1.5% for non-teachers and 2% for teachers. From a financial management perspective, it would be beneficial to utilise the 6-month implementation period. Any additional in-year commitment for 2020/21 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.

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.