

Finance and Resources Committee

10.00am, Thursday, 3 November 2016

Living Wage Accreditation

Item number	7.2
Report number	
Executive/routine	
Wards	All

Executive Summary

On 28 September 2016, the City of Edinburgh Council received formal accreditation from the Scottish Living Wage Accreditation Initiative.

This recognises that the Council currently pays all employees at or above the current Living Wage Foundation Rate of £8.25 per hour and has made a commitment to work with its providers and contractors to ensure their employees are also paid the Living Wage Foundation Rate (Living Wage).

The Council is one of ten local authorities accredited in Scotland.

Links

Coalition Pledges	P25 , P28
Council Priorities	CP1 , CP2 , CP3 , CP4 , CP5 , CP6 , CP7 , CP8
Single Outcome Agreement	

Living Wage Accreditation

1. Recommendations

- 1.1 The Finance and Resources Committee is asked to note the contents of this report.

2. Background

- 2.1 The Living Wage is set nationally, currently at £8.25 per hour in Scotland and for the whole of the UK, outside of London. The Living Wage is based on the cost of living. The Living Wage is reviewed each year and the new rate is announced late October/early November during Living Wage Week. This year the announcement will be made on 31 October. The Living Wage is a discretionary rate and should be distinguished from the statutory National Living Wage (NLW) currently set at £7.20 per hour for over 21s.
- 2.2 As part of the Capital Coalition Pledges, the Council introduced the Living Wage for all Council employees from 1 January 2013.
- 2.3 To become an accredited Living Wage employer, an organisation must consider more than its own workforce. Any regularly contracted staff working for the Council but not directly employed by it on premises owned or controlled by the Council or providing care at home, homecare or domiciliary social care services should also be paid the Living Wage. The Council has further committed to encouraging the wider adoption of the Living Wage amongst contractors.
- 2.4 Several pilots to encourage the Living Wage and other favourable workforce related conditions through the tender process were agreed at the Finance and Resources Committee in February 2015, with the results of the pilots reported in January 2016.

3. Main report

- 3.1 On 28 September 2016, the City of Edinburgh Council received formal accreditation from the Scottish Living Wage Accreditation Initiative.
- 3.2 This recognises that the Council has committed to providing for Edinburgh's economic growth and prosperity. The Coalition Pledges include a commitment to: "introduce a Living Wage for Council employees, encourage its adoption by Council subsidiaries and contractors and its wider development." Living Wage accreditation means that the Council:

- 3.2.1 pays its employees over the age of 18, with the exception of apprentices and interns, the Living Wage and this will increase by the same amount as any increase to the Living Wage, within six months of the date any increase is officially announced (the new rate will have been announced shortly following the publication of this report on 31 October); and
 - 3.2.2 has agreement with its contractors which are 'in scope' i.e. "provide a service to or on the behalf of the Council involving two or more hours of work in any given day in a week, for eight or more consecutive weeks" to pay their employees a Living Wage; or
 - 3.2.3 there is a plan in place with 'in scope' contractors with agreed milestones to bring them up to the Living Wage within an agreed timescale, where those employees work on premises owned or controlled by the Council or in the provision of care and support services.
- 3.3 In Council tenders potential contractors are asked whether they pay staff a minimum of the Living Wage which prior to November 2016 was £8.25 per hour.
 - 3.4 The UK rate is set annually by the Living Wage Foundation and calculated by the Centre for Research in Social Policy (CRSP) at Loughborough University.
 - 3.5 The calculation is based on the considered minimum income standard for the UK, a product of research by CRSP, funded by the Joseph Rowntree Foundation. The research looks in detail at what households need in order to have a minimum acceptable standard of living. Decisions about what to include in this standard are made by groups comprising members of the public. The Living Wage is therefore based on a general consensus about what people need to make ends meet.
 - 3.6 Each year the uprating of the Living Wage takes account of rises in living costs and certain changes that people define as a 'minimum'. It also takes some account of what is happening to wages generally, to prevent a situation where Living Wage employers are required to give pay rises that are too far out of line with general pay trends.
 - 3.7 The Council has also been examining for the last six months those contractors in scope who may not pay their employees a Living Wage. Around 800 employees are expected to benefit initially. In applying for accreditation the Council has committed to agree milestones to address the non payment of Living Wage. These milestones are either based upon agreements with contractors or contract expiry dates.
 - 3.8 The Council has committed to encouraging the wider adoption of the Living Wage amongst contractors. In support of this commitment several pilots to encourage the Living Wage and other favourable workforce related conditions through the tender process were carried out. Since that time the benefits convinced the Council of the advantages of becoming accredited and encouraging all Council contractors to pay a minimum of a Living Wage.
 - 3.9 In order to further encourage providers to pay a Living Wage and improve working conditions for employees a Fair Work question is included in the tender process

where there is likely to be a direct relationship between the pay and conditions of employees and the quality of service delivered. The question is based on the 'Statutory Guidance on the Selection of Tender and Award of Contracts addressing fair work practices, including the Living Wage in Procurement' (released by the Scottish Government in October 2015). By giving the Fair Work component a meaningful weighting in the overall scoring of the tender allows for favourable terms and conditions including pay, holidays and training to be evaluated and influence the quality score of a potential provider's bid.

4. Measures of success

- 4.1 All City of Edinburgh Council staff are paid the Living Wage.
- 4.2 Employees of organisations contracted to work with the City of Edinburgh Council and in scope are paid the Living Wage.
- 4.3 Evidence of improved service provision and staff retention for Council services.

5. Financial impact

- 5.1 The projected additional cost of uplifting the Living Wage cannot be accurately predicted as it will generally be introduced at the stage of changing providers. Initial modelling based upon the pilot projects and the Scottish Government catering contract, is suggesting an additional 6-9% over and above what current providers are paid, where the majority of costs are based on employee costs and a considerable proportion of the employees are currently paid below a Living Wage. Any additional costs from adopting this approach would need to be accepted by the Council in future costs. However improvements in staff retention and delivery may in future persuade contractors to absorb these costs.
- 5.2 For adult social care contracts, an allocation has been included within the recently-introduced Health and Social Care Fund to meet the first six months' costs of Living Wage implementation across voluntary and private providers (effective from 1 October 2016). The position in respect of subsequent years will form part of negotiations around the 2017/18 Local Government Finance Settlement.

6. Risk, policy, compliance and governance impact

- 6.1 There is a risk of a successful legal challenge if the Council were to fail to have regard to what Fair Work practices statutory guidance.
- 6.2 The Council cannot require a contractor to pay a minimum of the Living Wage as this is not a statutory requirement. However this can be evaluated as part of the quality element on fair working practices where relevant to service delivery.
- 6.3 There is a significant risk of increased financial burden for the Council if all or part of the increased costs to contractors are passed on to the Council. This may be in

part mitigated by improved service provision, improved retention and therefore consistency of staff, particularly important in the provision of care, and part of the solution in addressing poverty and inequalities.

7. Equalities impact

- 7.1 An increase to the Living Wage for the employees of Council providers positively impacts upon employees currently paid less than the Living Wage.

8. Sustainability impact

- 8.1 Following the statutory guidance and taking further steps to encourage payment of the Living Wage is likely to encourage Council providers to improve the workforce conditions of their employees.

9. Consultation and engagement

- 9.1 To date there has been a number of surveys with the Council's top providers in terms of spend. There has also been engagement with care providers in connection with the national care homes contract and care at home contracts. All recent tenders include an explanation of the Council's commitment to the Living Wage and a question as to whether providers currently pay the Living Wage.

10. Background reading/external references

- 10.1 <http://scottishlivingwage.org/>

10.2 Item 7.3 Living Wage and Workforce Related Matters in Procurement Update, Finance and Resources Committee 14 January 2016

[http://www.edinburgh.gov.uk/download/meetings/id/49394/item_73 -
_living_wage_and_workforce_related_matters_in_procurement_update](http://www.edinburgh.gov.uk/download/meetings/id/49394/item_73_-_living_wage_and_workforce_related_matters_in_procurement_update)

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11. Links

Coalition Pledges

P25 - Introduce a “living wage” for Council employees, encourage its adoption by Council subsidiaries and contractors and its wider development
P28 - Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well-being of the city

Council Priorities

CP1 – Children and young people fulfil their potential
CP2 – Improved health and wellbeing: reduced inequalities
CP3 – Right care, right place, right time
CP4 – Safe and empowered communities
CP5 – Business growth and investment
CP6 – A creative, cultural capital
CP7 – Access to work and learning
CP8 – A vibrant, sustainable local economy

Single Outcome Agreement

CO25 - The Council has efficient and effective services that deliver on objectives

Appendices