

**PERTH AND KINROSS COUNCIL****7 OCTOBER 2015****LIVING WAGE ACCREDITATION****REPORT BY DEPUTE CHIEF EXECUTIVE (CORPORATE & COMMUNITY DEVELOPMENT)****PURPOSE OF REPORT**

This report sets out an approach for the Council to become a Living Wage Accredited employer.

**1. BACKGROUND**

- 1.1 The Scottish Living Wage Accreditation Initiative was established in April 2014 by the Poverty Alliance, with funding from the Scottish Government. The aim of the initiative is to increase the number of employers in Scotland who are recognised for paying their staff the Living Wage.
- 1.2 Low pay plays a significant role in keeping large numbers of Scottish workers and their families living in poverty. Therefore, the Living Wage is an important tool for reducing poverty because it provides a level of pay that adequately allows workers to provide for themselves and their families. As such, the Living Wage can help tackle inequality. Paying workers a living wage can also boost the economy by giving workers more money to spend on goods and services.
- 1.3 Payment of the Living Wage is a significant indicator of an employer's commitment to fair work practices and one of the clearest ways an employer can demonstrate that it takes a positive approach to its workforce.
- 1.4 Perth & Kinross Council has ensured that no member of staff has been paid less than the Living Wage since 2012 and this is a major milestone towards achieving accreditation. By staff we mean all permanent or fixed term employees or supply workers who are directly employed by the Council. Living Wage conditions do not apply to apprentices. The Council already pay more than the statutory apprenticeship rates of pay and we are currently exploring options to increase rates of pay for young people on our Modern Apprenticeship programme.
- 1.5 Living Wage Accreditation requires a commitment by the Council to the extent permitted by law regarding contractors and sub-contractors who regularly carry out work on the Council's premises to pay their staff the Living Wage.

## **2. ACCREDITATION**

### **2.1 Key features of accreditation are:**

- All directly employed staff who are aged 18 and over must be paid the Living Wage. The Council already complies with this requirement.
- The Council should ensure, to the extent permitted by law, that all contracted and sub-contracted staff who are aged 18 and over who regularly deliver a service on our premises, property or land should be paid the Living Wage. "Regularly" is defined as 2 or more hours of work in any given day in a week, for 8 or more consecutive weeks in a year.
- Phased implementation allows accreditation where a plan is in place for contractors/sub-contractors who regularly deliver a service on our premises, property or land to pay their staff the Living Wage within a reasonable timescale and to the extent permitted by law.
- The Living Wage is an hourly rate set independently and updated annually. This is UK wide and announced in November of each year during Living Wage Week. The current rate for the Living Wage is £7.85 per hour and is due to be updated in November 2015.
- Employers are required to pay the Living Wage within six months from the date the new rate is published in November each year.
- There is an annual fee of £400 plus VAT.
- The accreditation is confirmed by a signed licence agreement between the employer and the Living Wage Foundation. By signing the licence, the employer agrees to pay all relevant staff the Living Wage.
- On becoming accredited, employers are awarded the Living Wage Employer Mark which is a Fairtrade mark for responsible pay.

2.2 There are now 287 Living Wage Accredited employers in Scotland, including Falkirk Council and Dumfries & Galloway Council. Other major employers in Perth – Aviva and Scottish & Southern Energy are Living Wage Accredited employers.

## **3. IMPLICATIONS FOR THE COUNCIL**

- 3.1 The recent national pay negotiations for Local Government Employees (LGE) have included claims relating to the Living Wage. The two year pay offer for 2015/16 and 2016/17 includes payment of the Living Wage plus 1.5% and 1% respectively. This pay offer will benefit our lowest paid staff.
- 3.2 Since 2012, the Council has accommodated the payment of the Living Wage by adjusting the grade boundary between GE1 and GE2 to ensure that the minimum hourly rate of pay is no less than the Living Wage. The impact of future Living Wage increases on pay differentials within the Council's Pay and Grading Structure will be closely monitored.
- 3.3 Any contractors and sub-contractors who do not currently pay the Living Wage will be required by law to pay the new National Living Wage rate which has been introduced by the UK Government. With effect from 1 April 2016,

workers aged 25 and above will earn at least £7.20 per hour which represents a rise of 50p above the increase in the national minimum wage rate of £6.70 which came into force in October 2015. The UK Government plans to increase the National Living Wage to £9 per hour by 2020. The national minimum wage rate will continue to apply for those aged 21 and over.

3.4 The key stages in our journey to achieve accreditation through phased implementation are:

- All directly employed staff continue to be paid at least the Living Wage.
- There is a plan in place for contractors/sub-contractors who regularly deliver a service on our premises, property or land to pay their staff the Living Wage within a reasonable timescale and to the extent permitted by law.
- The Poverty Alliance will work with the Council to develop milestones for contractors/sub-contractors who regularly deliver a service on our premises, property or land to pay their staff the Living Wage. Accreditation is awarded on the strength of having a plan in place.
- Progress on our timetable will be monitored on a quarterly basis by the Living Wage Foundation.
- Ensure our Invitations to Tender reflect the Council's Procurement Strategy in relation to fair work practices, including payment of the Living Wage.
- Accreditation will support moves for Perth to become a Living Wage Accredited City.

## **4 REVISED PROCUREMENT STRATEGY**

4.1 The Depute Chief Executive - Sustainability, Strategic and Entrepreneurial Development is preparing a report on a revised Procurement Strategy for the Council meeting in December 2015. The Strategy is being revised in accordance with a co-ordinated approach to the implementation of the Procurement Reform (Scotland) Act 2014 and the revised EU Procurement Directives, as confirmed by Scottish Ministers. The new legislation is expected to be laid before the Scottish Parliament by the end of 2015 and must come into force by 18 April 2016 at the latest.

4.2 New provisions within this legislation require the Council to publish an annual procurement strategy which sets out how the Council intends to carry out its regulated procurements and a statement on its policy on a range of issues, including the payment of a Living Wage and community benefits.

## **5. CONCLUSION AND RECOMMENDATIONS**

5.1 The Council can use its influence as employer directly and indirectly to promote payment of the Living Wage which brings benefits to workers and their families, employers and society. In turn this will help reduce inequality and tackle poverty.

5.2 The phased implementation route will enable the Council to become a Living Wage Accredited employer, with a plan in place to encourage and promote payment of the Living Wage to contractors/sub-contractors, in accordance with our Procurement Strategy.

5.3 It is recommended that the Council agrees to remit the Depute Chief Executive to:-

- (i) Apply for Living Wage Accreditation;
- (ii) Report back to Council on Living Wage Accreditation status and the agreed plan which will be monitored to maintain accreditation.

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**Approved**

Name	Designation	Date
John Walker	Depute Chief Executive (Corporate & Community Development)	28 September 2015

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Council Text Phone Number 01738 442573

## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan / Single Outcome Agreement	n/a
Corporate Plan	n/a
<b>Resource Implications</b>	
Financial	yes
Workforce	n/a
Asset Management (land, property, IST)	n/a
<b>Assessments</b>	
Equality Impact Assessment	yes
Strategic Environmental Assessment	n/a
Sustainability (community, economic, environmental)	n/a
Legal and Governance	n/a
Risk	n/a
<b>Consultation</b>	
Internal	yes
External	yes
<b>Communication</b>	
Communications Plan	n/a

### 1. Resource Implications

#### Financial

- 1.1 The impact of Living Wage increases on pay differentials will be closely monitored. A review of the Council's Pay and Grading Structure will be required in the medium term because of the erosion of pay differentials at the lower end of the grading structure. This is likely to have financial implications which cannot be identified at this stage.
- 1.2 The annual fee for Living Wage Accreditation is £400 plus VAT.
- 1.3 Encouraging contractors/sub-contractors, who regularly provide services on our premises, property and land, to pay the Living Wage is likely to result in some increased cost for the Council. It is not possible to quantify the financial implications at this time.

### 2. Assessments

#### Equality Impact Assessment

- 2.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties. The Equality Impact Assessment undertaken in relation to this report can be viewed clicking [here](#).

The Equality Impact Assessment determined that Living Wage Accreditation is relevant and the following positive outcomes expected following implementation:

- Payment of at least the Living Wage to all directly employed staff and contracted/sub contracted staff who regularly provide services on Council premises, property and land will benefit workers in low paid work, many of whom are women and younger workers.

### **3. Consultation**

#### Internal

- 4.1 The Head of Legal Services, Head of Finance and Head of Finance and Support Services, Housing and Community Care have been consulted and are in agreement with the content of this report.

#### External

- 4.2 The Poverty Alliance has been consulted regarding the Living Wage Accreditation criteria and the process for achieving accreditation. Other Councils who have achieved Living Wage Accreditation have also been consulted.

### **2. BACKGROUND PAPERS**

The following background papers have been relied upon in the preparation of this report:

[Scottish Living Wage Accreditation - A Guide for Employers](#)