

Report to CABINET

Pursuit of accreditation by the Living Wage Foundation to be a Living Wage Employer

Portfolio Holder:

Councillor Fielding – Leader of the Council & Cabinet Member for Economy & Enterprise

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Extension: 5691 & 3703

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Reason for Decision

Improving wages plays a significant role in building an inclusive economy, therefore the Living Wage is an important tool 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 a living wage can also boost the economy by giving workers more money to spend on goods and services.

Executive Summary

This report sets out an approach for the Council to become a Living Wage Accredited employer through the Living Wage Foundation (LWF). If the Council were to secure this, there would be a three year period in which to achieve full compliance. The report includes proposals to develop a three-year milestone plan with an ambition to secure full compliance within that time.

Our ambition for Oldham is to build an inclusive economy, with thriving communities and co-operative services. We want Oldham to be a place where everyone has a fair and real chance to access opportunities and improve their own lives. We strive for an ambitious

and socially mobile borough through making significant progress in living standards, wages and skills for everyone.

The Living Wage Foundation recognises and celebrates the leadership shown by Living Wage employers across the UK. The aim is to increase the number of employers in the UK who are recognised for paying their staff the Living Wage. 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 £9.00 per hour (announced in November 2018). This rate is above the Government's current National Living Wage of £7.83 per hour (£8.21 from April 2019).

Improving wages plays a significant role in building an inclusive economy, therefore the Living Wage is an important tool 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 a Living Wage can also boost the local economy by giving workers more money to spend on goods and services.

If the Council decides to apply for formal accreditation, it would require providers/suppliers to the Council, including sub-contractors, to all pay the Foundation Living Wage, in addition to that rate being paid for directly employed staff.

Phased accreditation recognises that full compliance won't be made at the outset, and the Council will have three years to achieve this, which is in line with the approach that other Councils have taken. The report includes proposals to develop a three year milestone plan with an ambition to secure full compliance within that time.

Recommendations

1. To agree that Oldham Council applies for Living Wage Accreditation, and endorse that the detailed work proceeds, with a further report presented back to Cabinet including the proposed milestone plan and full procurement and future financial implications.
2. To note the annual cost of £480 to be paid to the Living Wage Foundation to become and remain accredited. The detail of which will be included in the next Cabinet report as part of the overall implementation proposal.

Pursuit of accreditation by the Living Wage Foundation to be a Living Wage Employer

1 Background and Current Position

- 1.1 A decision was taken by Members in 2014 to ensure that all employees, casual workers and agency staff were paid the Living Wage Foundation's recommended Living Wage. This was above the Government's National Living Wage (excluding Apprentices and Trainees).
- 1.2 In March 2016 Council approved a motion to seek accreditation with the Living Wage Foundation. Since then positive progress has been made. All directly employed staff have been paid the Foundation Living Wage since 2015.
- 1.3 In addition, all community primaries and voluntary controlled schools, where the Council is deemed to be their employer, have signed-up, and further engagement has resulted in all maintained schools, i.e. that group plus voluntary aided and foundation schools, signing-up too.
- 1.4 The Council's tender documents were also updated as part of the activity undertaken, and includes more specific questions on the Living Wage, highlighting the Council's ambition to be a Living Wage employer. Oldham's Procurement team have been actively engaging with suppliers to gather information on who currently pays the living wage, allowing the Council to model a more accurate financial impact of Living Wage Accreditation. This piece of work is ongoing.
- 1.5 For 2016/17 the Council made further positive steps, allocating £2.7m for the adult social care sector to remit the lesser National Living Wage (NLW), and in 2017/18, the additional revenue budget needed was £2.5m. The funding being applied from April 2019 to increase the rate paid for commissioned services is £1.7m. For 2018/19 the minimum hourly rate for commissioned adult social care is £8.35, which is well above the NMW, but currently 65p per hour short of the Foundation Living Wage (as of November 2018).¹ Further detailed work will need to be undertaken to understand the full financial implications associated with Foundation Living Wage accreditation.
- 1.6 As a wholly owned organisation of the Council, MioCare Group CIC (MioCare) consists of two subsidiary companies, Oldham Care & Support (OCS) and MioCare Services Limited (MSL). Staff at OCS typically have been TUPE transferred from the Council, so the salary scales for them are living wage compliant. However, the trading arm of Miocare pays the same hourly rate determined by the Council as part of their adult social care commissioning arrangements as described above.
- 1.7 It is now considered an appropriate time to review our position against the Foundation Living Wage criteria with a view towards moving to accreditation from the LWF. Work has been ongoing within the Strategic Sourcing Team to determine the position of the Council's current suppliers before compiling a short list of providers/suppliers to request details of their minimum hourly rates of staff provided to work on Oldham Council contracts.

¹ The requirement on providers to pay on average £8.35/hour relates only to care at home, extra care housing and supported living services. It doesn't apply to care homes.

1.8 Contact has been ongoing with the LWF who have been able to give guidance to prepare for a submission for application. Contracts entered into with other Councils, either on a GM basis or jointly with one/two other Councils would be excluded as Oldham Council would not be able to set the minimum salaries for those employees, although we would be expected to use our influence to try and encourage payment of the Living Wage.

2 Options/Alternatives

2.1 The Council will need to make a decision with two potential outcomes:-

- Making an application to be a Living Wage employer
- Not making an application to be a Living Wage employer (although continuing to pay our directly employed staff the appropriate hourly rate from April each year)

2.2 Making an application to be a living wage employer:

At Full Council in November 2018, it was announced that Oldham Council would be seeking accreditation to become a Living Wage employer. This means that all directly employed Oldham Council staff will be paid the FLW (£9 per hour), subject to agreement by Cabinet in January. It was also confirmed that Oldham Council is working to secure Living Wage accreditation from the Living Wage Foundation.

2.3 The council is able to apply to the Living Wage Foundation for phased accreditation. This approach provides a three year period during which the Council can work towards achieving full compliance. This is in line with the approach that other Councils such as Salford and Blackpool have taken. On making a successful application for phased accreditation, employers are then licensed to use publically the mark of a Living Wage employer.

2.4 In order to achieve full accreditation at the end of this three year period all providers and suppliers to the Council, including sub-contractors, would be required to pay the Foundation Living Wage, in addition to that rate being paid for directly employed staff aged over eighteen (excluding apprentices and interns, but not trainees).

2.5 **In order to secure Living Wage accreditation the Council needs to:**

- Ensure all staff are paid the Foundation Living Wage (£9 per hour).
- Ensure that the proposed updates to the Get Oldham Working traineeship scheme are implemented.
- Develop the Milestone Plan for the Council, highlighting which contracts are currently compliant with the Living Wage and which contracts will need to be reviewed over the next three years (this work is ongoing).

2.6 **Ensure all staff are paid the minimum Foundation Living Wage:** For Directorate staff, there is already an ongoing commitment to increase the minimum hourly rate in line with the Foundation Living Wage, effective from April each year.

2.7 Schools would also have to pay their staff the Foundation Living Wage from the 1st April 2019. Unity Partnership, where they are the payroll provider, supports schools to meet their ongoing commitment to pay the Foundation Living Wage. However, the Council may have to remind schools where they have an alternative payroll provider than the uplift will need to start from the 1st of April 2019. Academies are outside of scope for consideration, however, we would anticipate having discussions with Academies taking a borough-wide approach to building an inclusive economy.

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- 2.8 We would also need to work with wholly owned companies MioCare and Unity Partnership to identify the implications of paying the Foundation Living Wage to all of their staff. With respect to Unity Partnership, the issue was taken to the Unity Partnership Board in October 2018, where the matter was discussed and approval given to pay current and future employees the minimum of the Foundation Living Wage.
- 2.9 **Ensure that the proposed updated to the Get Oldham Working traineeship scheme are implemented:** The Living Wage Foundation require trainees to either be paid the Living Wage or to be working towards a nationally recognized qualification. The Get Oldham Working team are therefore currently making preparations for the new trainee cohorts to undertake an NVQ1 in a work-relevant topic. Additional funding circa £15k - £20k per annum would be required, as most participants already have a qualification higher than this level, and so require the full subsidy to pay for it. The LWF have advised that this would meet their criteria for us becoming accredited.
- 2.10 **Develop the Milestone Plan for the Council, highlighting which contracts are currently compliant with the Living Wage and which contracts will need to be reviewed over the next three years:** The Strategic Sourcing Team are liaising with all of the suppliers identified in the scoping exercise to identify if they currently pay the living wage voluntarily, or if additional budgets would need to be available to allow them to pay for it. The relevant Commissioning teams will also need to be involved for contracts in their specific areas.
- 2.11 Contracts entered into with other Councils, either on a GM basis or jointly with one/two other Councils would be excluded as Oldham Council would not be able to set the minimum salaries for those employees, however, we would be expected to use our influence to try and encourage payment of the Living Wage.
- 2.12 Detailed work has begun and is ongoing to fully understand the implications of applying for accreditation and to develop a milestone plan that includes the steps that will be taken in order to achieve accreditation over the course of the next three years. It is this milestone plan that will form the basis of our application to the Living Wage Foundation. Additionally this work will establish the budget implications of working towards full accreditation over that three year period
- 2.13 Not making an application to be a Living Wage employer (although continuing to pay our directly employed staff the appropriate hourly rate from April each year):
- The reasons for not making an application would relate to the costs of bringing providers and suppliers to the Council/MioCare/Unity Partnership up to the required level and the permanent additional financial burden which the Council will be obliged to maintain, and/or a desire to leave the GOW traineeship scheme as is to meet the targets and objectives as previously agreed for that programme.
- 3 **Preferred Option**
- 3.1 To agree a commitment in principle to apply for Living Wage Accreditation, and endorse that the detailed work proceeds, with a further report presented back to Cabinet including the proposed milestone plan and full financial implications before Annual Council.
- 4 **Consultation**
- 4.1 In March 2016 Council approved a motion to seek accreditation with the Living Wage Foundation.
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4.2 The trade unions have previously been consulted on the payment of the living wage for directly employed staff and were fully supportive of this uplift for the lowest paid in the Council.

5 **Financial Implications**

5.1 The Council already has allocated sufficient budgetary provision to facilitate the payment of salaries for Council staff at a minimum of the Foundation Living Wage in 2019/20. Resources are also available to support the update to the Get Oldham Working traineeship scheme to ensure accreditation. With regard to the two Council wholly owned companies, the Unity Partnership will accommodate from within its existing resources, any financial implications from paying at staff in accordance with the Foundation Living Wage and the Council has budgetary provision to support such costs arising for MioCare CIC.

5.2 Moving toward full accreditation is likely to have a significant financial implications for the Council in both 2020/21 and 2021/22 (years two and three of the proposed accreditation timeline) in relation to contracted services. As advised above, detailed work has begun to determine the budgetary impact. Such costs will have to be considered in the context of budget setting for 2020/21 and 2021/22 and built into the financial planning estimates as appropriate. (Anne Ryans)

6 **Legal Services Comments**

6.1 If the matter is progressed, new contracts entered into by the Council will require conditions which reflect the Living Wage commitment. Existing contracts will need to be considered as to whether there is provision enabling contracts to be varied unilaterally or by consent and any corresponding payment increase. (Paul Entwistle)

7. **Co-operative Agenda**

7.1 Becoming accredited through the Living Wage Foundation links to our Oldham Model and our ambitions for an Inclusive Economy, with Thriving Communities and Co-operative Services. Our Social Value Framework and Oldham's Fair Employment Charter (soon to adopt the GM Good Employer Charter) supports the Council's priority to tackle the issues associated with low pay, including health inequalities, productivity, dignity and social inclusion.

7.2 Continuing to implement the Living Wage, as advocated by the Living Wage Foundation, is a cornerstone of how the Council intends to model being a fair employer under its Fair Employment Charter, and how it leads the way with social value. Although there is no mandate that other employers must adopt the living wage as part of their accreditation to the Council's Charter, employers must provide their pay rates and demonstrate, amongst other things, how they are tackling low pay to improve the terms and conditions of the lowest paid, where this is possible. This report goes further than previous, with considering if the Council should extend the provision of the living wage to the majority suppliers of service, modelling social policy by example. (Jonathan Downs)

8 **Human Resources Comments**

8.1 As the report has been written by People Services, HR comments have been integrated, (where appropriate) throughout the report. (Corrina Sutton)

9 **Risk Assessments**

9.1 The Council should balance the reputational risks and opportunities associated with its commitment to being a Co-operative Council against the potential financial investment/costs associated with the application.

10 **IT Implications**

10.1 Work will be required to ensure appropriate data is aligned to ensure compliance with the Living Wage Foundation. (Ray Ward)

11 **Property Implications**

11.1 None.

12 **Procurement Implications**

12.1 In the event that the Council seeks phased accreditation, Strategic Sourcing will build upon the work that has been undertaken to date.

12.2 The potential increase in costs as a result of suppliers implementing the Living Wage is difficult to establish as it is affected by all, or some, of the following factors:

- Enforcement of the Living Wage as a contractual condition will be imperfect
- Suppliers implementation will produce variations in pricing:
 - Low margin suppliers will be less able to absorb increased salary costs
 - Those in competitive markets will minimise any price increase
 - Those in non-competitive markets will maximise any price increase
 - As markets move through their competitive to non-competitive cycles, price increases will vary

12.3 Notwithstanding the above factors, Strategic Sourcing will work with Finance colleagues to build a model, which will establish potential cost increases.

12.4 The method to enable full and active monitoring of both procured and commissioned services needs to be developed.

12.5 Strategic Sourcing will input into the Council's Living Wage Accreditation milestone plan. (Joe Davies)

13 **Environmental and Health & Safety Implications**

13.1 None.

14 **Equality, community cohesion and crime implications**

14.1 The potential implications external to the Council for equalities, community cohesion and crime are outlined in the Co-operative Agenda section above. The section below on Equality Impact Assessments highlights why impact cannot be measured more specifically for different sections of the Oldham community, plus many suppliers will be providing labour who are not resident of the Borough.

15 **Equality Impact Assessment Completed?**

15.1 No – with respect to internal, direct employees of the Council being paid the Living Wage, this has already been agreed by Members in 2014. As this report focuses more on the

external situation with suppliers, after consulting with the Policy team, it has been deemed that there will not be sufficient data available to be able to undertake any meaningful analysis with respect to equality impact. It would not be practical to request this type of data from suppliers, particularly as many are smaller suppliers where giving details of protected characteristics of employees are mean that they are personally identifiable.

16 **Key Decision**

16.1 Yes

17 **Key Decision Reference**

17.1 ECEN-16-18

18 **Background Papers**

18.1 No background papers.

19 **Appendices**

19.1 None.
