



REPORT TO: MORAY COUNCIL ON 12 MAY 2021

SUBJECT: LIVING WAGE CONSOLIDATION

BY: DEPUTE CHIEF EXECUTIVE (EDUCATION, COMMUNITIES AND ORGANISATIONAL DEVELOPMENT)

1. REASON FOR REPORT

- 1.1 The Council is asked to approve the recommendation from the Education Communities and Organisational Development (ECOD) Committee on 31 March 2021 to establish budget provision to secure expert consultancy to undertake the specialist work required for consolidation of the Living Wage.
- 1.2 This report is submitted to Committee in terms of Section III (B) (27) of the Council's Scheme of Administration relating to the remuneration, conditions of service and allowances for all posts.

2. RECOMMENDATION

2.1 The Council is asked to:

- i) **approve the recommendation from the Education Communities and Organisational Development Committee to establish budget provision budget of £30,000 to engage external expertise on pay and grading design and equal pay to be funded from free general reserves; and**
- ii) **note that the financial implications of the consolidation of the Living Wage will be reported in due course as the specialist work is progressed.**

3 BACKGROUND

- 3.1 Reference is made to the report on the Living Wage to the ECOD Committee on 31 March 2021 that set out the current position in relation to the consolidation of the Living Wage into the Council's pay and grading structure, which is required under the terms agreed as part of the Scottish Joint Councils (SJC) Salaries Agreement 2018 – 2021 whereby Councils should aim to achieve consolidation with a final implementation date of March 2022.

- 3.2 Consolidation is not defined in detail but is accepted as meaning payment of the Scottish Local Government Living Wage (SLGLW) rate fully incorporated into all elements of pay and conditions and removal of the spinal column points (scp) in a pay structure that fall below this rate.
- 3.3 The SLGLW is set by the SJC and was introduced in 2013 as part of the national salaries agreement. There is an understanding by the SJC that the rate will rise each year in line with the real living wage, therefore the rate is likely to increase as part of the current round of national pay negotiations, effective from, or backdated to, April 2021.
- 3.4 The national trade union position has consistently been that Councils should consolidate the living wage rate into their pay structures and remove any spinal column points below that rate.
- 3.5 National level narrative from the SJC trade unions has also been to link consolidation to a broader review of the pay and grading structure and a joint Reference Group drew up a set of best practice principles and a checklist to assist with this.
- 3.6 Moray Council has paid the Living Wage since 2012, consolidated in terms of inclusion in overtime and enhanced rates, pension, etc. However, no changes have been made to the salary structure and it is not therefore deemed to be technically 'fully consolidated' in terms of the requirement to remove spinal column points below the SLGLW. This means that Moray Council now has to integrate the SLGLW into its pay and grading structure and remove spinal column points below this rate. The method and mechanics of consolidation varies across Scottish local authorities and the Council must decide on how to consolidate.
- 3.7 A full review of pay structures to take account of the impact of successive increases in the SLGLW, align with the nationally agreed best practice principles and incorporate long term solutions into the council's pay structure will be complex and will have considerable risks and costs associated with it. These are set out in more detail in the Living Wage Consolidation report to ECOD Committee on 31 March 2021.
- 3.8 In order to develop proposals to address the best practice principles and ensure revisions that provide a long term equal pay compliant pay structure that is also suited to longer term service requirements, external expertise is required if completion is to be achieved within the timescale of March 2022 set out in the circular.
- 3.9 Pay design and equalities are a niche area of expertise and there would be a lead in time for council officers to be trained in these and issues around quality assurance and equalities impacts would also require to be addressed. Therefore, it was considered that a more effective solution that takes account of the expertise required and timescales for delivery would be to engage consultancy support with existing expertise in local government pay design. This approach was agreed at Education, Communities and Organisational Development Committee on 31 March 2021 (paragraph 11 of the draft minute refers). This report seeks approval for the funding of budget estimated at £30,000 to secure the external expertise required to progress this work.

4 **SUMMARY OF IMPLICATIONS**

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

The contents of this report underpin the priorities set out in the Corporate Plan in relation to the Council's financial strategy and workforce strategy.

(b) Policy and Legal

The content of the report is in accordance with the Scottish Joint Council Salaries Agreement 2018-21 and as part of the council's normal collective bargaining framework.

(c) Financial implications

Corporate Management Team Additional Expenditure Warning

When the Council approved the budget for 2021/22 on 3 March 2021 (paragraph 3 of the Minute refers) it balanced only by using one-off financial flexibilities. The indicative 3 year budget showed a likely requirement to continue to make significant savings in future years. All financial decisions must be made in this context and only essential additional expenditure should be agreed in the course of the year. In making this determination the committee should consider whether the financial risk to the Council of incurring additional expenditure outweighs the risk to the Council of not incurring that expenditure, as set out in the risk section below and whether a decision on funding could reasonably be deferred until the budget for future years is approved.

As set out in the report to ECOD, the financial implications of the future implementation options will be brought forward to Council in due course as there are likely to be additional costs associated with a review of the grade structure depending on the model approved. The issue of retrospection will also require consideration and further detail on this will be included in any future reports as required.

There is no budget to accommodate the financial implications arising from the proposed development of a pay model. It is requested that a budget of £30,000 is allocated in the first instance to engage external expertise on pay and grading design and equal pay over a period of the next 12 months. This time frame is indicative only at this stage and may be more or less depending on the complexity of the pay modelling work and associated risk and equality impact assessments with the consequent impact on costs arising from any new pay model adopted.

(d) Risk Implications

The risks of not agreeing the budget for this work are that the Council would be unlikely to be able to resource the specialist work required to ensure consolidation of the Living Wage. As the expertise is not currently available in-house and training would be required, there would be a lead in for any internal solution which would mean that it would be unlikely that work could be completed within the nationally and jointly

agreed timescales. Pay and grading design and equal pay is a particular niche area where there have in the past been novel legal challenges and seeking expert input would provide greater reassurance around the management of these issues and risks. An alternative option could increase the risk of equal pay challenge and potential industrial dispute and weaken the prospect of defending these.

(e) Staffing Implications

While there are no direct staffing implications arising from this report, the work required to fully research, develop and implement a model that consolidates the SLGLW into the Council's pay and grading structure is significant and will be required to provide support to the external specialist resource.

(f) Property

None.

(g) Equalities/Socio Economic Impact

The Scottish Local Government Living Wage and Real Living Wages both contribute towards ensuring an acceptable standard of living as defined by the Living Wage Foundation.

Any future modelling work on consolidation would include assessment of equality impacts, with any preferred model having a full Equality Impact Assessment.

(h) Consultations

The Chief Financial Officer, Head of Governance, Strategy and Performance and Corporate Management Team, contributed to the report to ECOD committee on which this report is based.

5 CONCLUSION

5.1 The Council is required to fully consolidate the Scottish Local Government Living Wage into the pay structure and remove unused spinal column points that have been overtaken in recent years by SLGLW increases.

5.2 Specialist technical resource is required to do this work and budget is required to enable this to progress.

5.3 Further reports will be provided on future options arising from the work on consolidation.

Author of Report:	Frances Garrow
Background Papers:	Living Wage Report – ECOD Committee – 31 March 2021
Ref:	SJC 2018-21 Salaries Agreement SPMAN-1656699058-21