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**REPORT TO: CORPORATE COMMITTEE ON 1 FEBRUARY 2022**

**SUBJECT: LIVING WAGE ACCREDITATION UPDATE**

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

**1. REASON FOR REPORT**

- 1.1 To inform the Committee of the current status of an application for Living Wage Accreditation and seek approval for the actions required to support pursuing an application in 2022.
- 1.2 This report is submitted to Committee in terms of Section III (B) (24) (b) of the Council's Scheme of Administration relating to formulate, supervise the implementation of and review as necessary the policy and practices of the Council for all employees, other than teachers, in relation to the remuneration, conditions of service and allowances of all posts.

**2. RECOMMENDATION**

- 2.1 Committee are asked to note the status of its Living Wage Accreditation application.
- 2.2 Committee are asked to consider the following options and provide guidance on the preferred approach in order that an application may be submitted this year:
- i) Await the national pay award for 2022/23 and assess the merits of an application at that time; or
  - ii) Apply the living wage locally with effect from 1 April 2022 if there is no national pay award at that time and to make an application between April and November 2022; and
  - iii) Whether or not to apply the living wage locally with effect from 1 April every year if there is no national pay award.

### **3. BACKGROUND**

- 3.1 The Scottish Living Wage Accreditation Initiative was established in April 2014 with the purpose of increasing the number of accredited organisations across Scotland as 'Living Wage Employers'. To become accredited employers must confirm that all directly employed staff are paid the Living Wage bar apprentices and interns. In addition, staff of all contracted organisations that regularly provide services for the Council must either be paid the Living Wage or have a plan in place to move these staff to the Living Wage.
- 3.2 In November 2018 Policy & Resources Committee agreed that Moray Council should seek Living Wage Accreditation. On becoming accredited, employers are awarded the Living Wage Employer Mark, a symbol of responsible pay which is a badge of honour. By displaying the Living Wage Employer Mark, employers can signal to others their commitment to paying a wage that is enough to live on.
- 3.3 Moray Council pay the Scottish Local Government Living Wage Rate as part of the national pay agreement for local government employees. This is higher than the Real Living Wage. The timing of the Council's pay awards is from 1<sup>st</sup> April each year and the Real Living Wage uplift is usually announced within the first week of November each year. This means that there is a time lag as the Council applies the annual pay increase based on the national agreement in April of the year following each annual announcement of the Living Wage uplift. This time lag has been further extended with the additional time taken to secure national pay agreements.
- 3.4 Previous plans to gain Living Wage accreditation by October 2019 were assessed as not feasible due to the volume of work required to submit the Council's application and the reliance on services to engage and respond swiftly with the process. Significant work however continued with Procurement co-ordinating the gathering of information from providers via service managers, with some departments' progress making more than others and this aspect was a high risk to the completion of the application. Revised timescales were put in place to meet the following application window for accreditation in April 2020 however this was not achieved due to the re-direction of staff to deal with the impact of the Covid pandemic.
- 3.5 The situation remains outstanding and following a meeting with Living Wage Scotland in July 2021 it was advised that as the Council currently did not meet accreditation criteria in terms of the rate of paying the living wage to directly employed staff (due to delayed national pay settlements), an application would not be successful at that time. Therefore, it would be advisable to await the pay settlement and the new living wage being set in November 2021 and to re-assess the situation.

- 3.6 In order to pursue its application, the Council needs to be paying directly employed staff the new rate for the Living Wage (£9.90) at the time of application and have a milestone in place to manage the uplift of any third party staff within an agreed timescale. The national 2021-22 pay award announced on 1 December 2021 and effective from 1 April 2021 increases the Local Government Living Wage rate to £9.78 which remains under the Living Wage rate of £9.90 set in November 2021. This uplifted LW rate will be applied in the next local government pay settlement that will take effect from April 2022 and for which negotiation is just beginning. Therefore, the council should meet the requirement to pay the LW from 1 April 2022, albeit that any delay in the national pay award could lead to backdating being required and the same cycle as set out above.
- 3.7 There is the potential that the 2022-23 national pay agreement is not concluded until beyond April 2022 or until after November 2022 when the next uplift to the living wage occurs. Therefore, at present the council does not have local control of the date from which the living wage is applied to Moray Council employees and so when the criteria to become a living wage employer can be met. It is open to the council to determine local pay policy and a decision could be taken to apply the real living wage outside of the national pay settlements in order to address the issue of timing and so comply with the living wage employer accreditation criteria regardless of progress on the national pay awards. When national pay bargaining concludes, any remaining adjustment to pay would be applied from the relevant date (normally 1 April).
- 3.8 There would be no financial impact on the council of applying the living wage on 1 April each year outside of the national pay settlement as the Scottish Local Government Living wage that is incorporated into the pay award is always an uplift from the real living wage. However, if any earlier date was applied (between November and March) this would have the effect of bringing forward the increase in hourly rate and would have a cost implication.
- 3.9 Moving forward, once accreditation is achieved, review of the Council's status as an accredited employer is ongoing and employers are given 6 months to ensure the uplift to the new rate following the annual announcement of the rate each November.

3.10 Options for progressing the Council's direct payment of the living wage to achieve application as a living wage employer would be:

- i) Await the national pay award for 2022/23 and assess the merits of an application at that time. This would depend on the timing of the agreement and would meet the criteria provided agreement is reached no later than September 2022 to allow time to apply the pay award and make an application before the living wage changes again in November.
- ii) Apply the living wage locally with effect from 1 April 2022 if there is no national pay award at that time. This would ensure that the criteria are met for at least a window between April and November 2022. There would be no cost implication as explained above, although there would be additional work for the Payroll team in applying a two staged pay increase.
- iii) Apply the living wage locally with effect from 1 April every year if there is no national pay award, with the same impact as ii) above. This would ensure ongoing compliance with implementation of the living wage within 6 months of the November announcement.
- iv) Apply the living wage locally with effect from 1 December (or other date before 1 April) every year, unless a better national agreement is already in place. This would have a recurring cost implication as it is an earlier uplift in hourly rate as well as requiring additional Payroll work.

3.10 In considering the options above, it is also relevant to take account of the ongoing work to consolidate the Living Wage into the council's pay structure. This is likely to lift the bottom of the payline to above the current living wage level and although this work has yet to be concluded, this may provide a longer term solution to the issues set out above, although the size of future annual increases in the living wage will have an unknown bearing on this.

3.11 The second element of a living wage employer application is payment of the living wage to staff of all contracted organisations that regularly provide services for the Council. Therefore, action will also be required to address this which will require services to engage fully in supporting the procurement requirements of this process. There remains significant work for procurement to undertake to support an application and this includes a review of work completed pre-covid and an assessment of the Council's current contract register. There are over 400 contracts, each of which will require to be individually reviewed to ensure they meet the criteria for accreditation and additionally there will be a requirement to obtain supplier confirmation on those that do need assessment of their current living wage position. For some contracts this will require negotiation around future living wage actions which therefore needs contract management and procurement involvement. Resources to undertake this work within previous timescales (by March 2022) is a concern for procurement however dialogue with the service indicates that with some re-prioritisation this can be now be accommodated.

#### **4 SUMMARY OF IMPLICATIONS**

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

Becoming a Living Wage Accredited Employer would allow the Council to demonstrate its commitment to support the economic development of the authority and support delivery of the workforce strategy.

(b) **Policy and Legal:**

There are no policy or legal implications from this report.

(c) **Financial implications:**

The financial implications are as noted in the body of the report which in summary is that where the national 2022-23 pay award is not agreed within a relatively short timeframe, the council could opt to pay an interim increase of the £9.90 rate to eligible employees, bringing the organisation into compliance (for directly employed workers). When national pay bargaining concludes, any remaining increase would require to be back-dated. This would not incur any additional cost to the council in the longer term albeit there would be 'double-handling' in terms of payroll administration.

Implementation of the annual living wage increase from any date before 1 April each year would have a cost implication for the council for which there is no budget provision.

(d) **Risk Implications:**

There are no risk implications arising from this report.

(e) **Staffing Implications:**

There are no staffing implications arising from this report.

(f) **Property:**

There are no property implications from this report.

(g) **Equalities/Socio Economic Impact:**

The proposed actions arising from this report would allow the Council to continue to make a positive impact on the gender pay gap by raising the pay rate for its lowest paid employees who are predominantly part time female employees.

Implementation of the annual living wage increase from any date before 1 April each year may have an equalities impact and this would require to be considered if this is the preferred option of the committee.

(h) **Climate Change and Biodiversity Impacts:**

There are no climate change or biodiversity implications arising from this report.

(i) **Consultations:**

A 3 Minute Brief has been shared with CMT to outline the current position and requirements to enable an application and consultation with the Payments Manager with regard to the Council's application and capacity to progress the work required has been undertaken with comments incorporated into the body of the report.

Consultation with the trade unions would be required on any proposed change to the council's local pay policy. This could be built into discussions on the consolidation of the living wage into the council's pay structure if required.

## **5. CONCLUSION**

### **5.1 In order for an application for Moray Council to become a Living Wage accredited employer there are 3 requirements to support the submission of an application:**

- **In the absence of a nationally agreed pay deal, an interim pay increase for the Council's eligible employees could be made to the current new Living Wage rate of £9.90 either as a one-off move to facilitate being able to make a submission for accreditation, or as a permanent change to pay policy.**
- **There is a need for sufficient resources in procurement/admin to complete the external service assessment.**
- **Service Managers require to be reminded of their commitment and requirement to support delivery of the procurement work required to enable the timescales to be achieved.**

### **5.2 Without these recommendations being in place Moray Council will be unable to progress an application.**

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Background Papers:  
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