REPORT TO
CABINET
TO BE HELD ON
11 FEBRUARY 2020

Key Decision
YES

Forward Plan Ref No

Corporate Aims
People/Prosperity

Cabinet Portfolio
Holder

Cllr Colling -
Cabinet
Member for
Economy,
Communities
and
Commercial

REPORT OF: DIRECTOR (RB) – 20/42
WARDS AFFECTED: ALL

SUBJECT: THE UK LIVING WAGE CAMPAIGN – WEALTH BUILDING STRATEGY

RECOMMENDATION (S):
1. Cabinet approve for the Council to register with the Living Wage Foundation and become an accredited UK Living Wage employer.
2. Cabinet agree for the Council to take the lead on developing a local Living Wage sign up campaign.

REASON FOR RECOMMENDATION (S):
This report details Scarborough’s position as the area with the highest number of jobs paid below the UK Living Wage in the region. It recommends accreditation with the Living Wage Foundation and wider promotion of the scheme to local employers as a means to support residents out of poverty and reduce the dependence on in work benefits in line with the aspiration of inclusive growth outlined in the ‘Building a Better Borough’ Programme.

HIGHLIGHTED RISKS:
Accreditation with the Living Wage Foundation requires the Council to implement the increased UK Living Wage rate each year which could have an effect on the Council’s pay differentials. It is also possible that officers leading a local Living Wage
campaign could not make a compelling case to local employers resulting in a lower than anticipated number signing up.

1. INTRODUCTION

1.1 The UK Living Wage (UKLW) is announced every November by the Living Wage Foundation. In setting the Living Wage rate, the Living Wage Foundation calculate minimum living costs based on a “minimum income standard” considering rent, childcare costs and Council Tax. This is then translated into a wage requirement. The UKLW is currently £9.30 per hour and is reviewed in November of each year.

1.2 The statutory ‘National Living Wage’ (NLW) was introduced with effect from 1 April 2016, this is a lower rate of pay than the UKLW. The table below summarises the different rates of pay that are currently in place:

<table>
<thead>
<tr>
<th>Pay Rate</th>
<th>Definition of Cohort</th>
<th>Hourly Rate</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Living Wage (NLW) (Statutory)</td>
<td>Workers over 25</td>
<td>£8.21</td>
<td>From April 2016 a Living Wage Premium (LWP) was applied on top of the National Minimum Wage (NMW) for employees aged 25 and over to deliver a National Living Wage (NLW). To increase to £8.72 from April 2020.</td>
</tr>
<tr>
<td>UK Living Wage (UKLW) (Living Wage Foundation)</td>
<td>All workers (higher rate for London)</td>
<td>£9.30</td>
<td>The UKLW is an aspirational wage which is announced every November by the Living Wage Foundation. In setting the Living Wage rate, the Living Wage Foundation calculate minimum living costs based on a “minimum income standard”, rent, childcare costs and Council Tax. This is then translated into a wage requirement. The UKLW was increased from £8.45 on 6 November 2017.</td>
</tr>
<tr>
<td>Current Council Living Wage (Pay Supplement)</td>
<td>All qualifying employees</td>
<td>£9.00</td>
<td>Reviewed annually, taking account of various factors such as staff turnover, any national pay awards, the rates for the National Minimum Wage and the “UK Living Wage” at the time, affordability, pay differentials, employee relations etc. The current rate is the bottom Spinal Column Point (SCP) of the national pay scale.</td>
</tr>
</tbody>
</table>

1.3 Historically, the Council has paid supplements to staff on lower grades which fall below the UKLW.

1.4 This report asks for consideration to be given to the proposal of Scarborough Borough Council becoming an accredited Living Wage Employer with the Living Wage Foundation and committing to paying all their staff and, where possible encouraging all contractors to pay their staff, the UKLW in line with any future increases. Increases are announced in November of each year and accredited organisations have a 6 month period in which to implement them.

1.5 The report also asks for consideration to be given to the proposal of the Council initiating a local UKLW sign up campaign as part of a wealth building
strategy to be consistent with our ambition for inclusive growth as part of the 'Building a Better Borough’ Programme. The local sign up campaign would be delivered in partnership with key anchor institutes and larger public and private employers.

2. **CORPORATE AIMS**

2.1 This decision supports the Council’s corporate aim to develop a prosperous and innovative Borough with a highly skilled and aspirational workforce.

2.2 This decision also supports the Council’s ambition for inclusive growth as part of the ‘Building a Better Borough’ Programme.

3. **BACKGROUND AND ISSUES**

3.1 Nationally there are 6145 accredited employers paying the UKLW. There are 265 accredited employers across Yorkshire and the Humber. These include:

- The Aspire Igen Group
- City of York Council
- York Housing Association
- Selby Town Council

In addition, there are a number of employers locally who pay the UKLW to all their employees who haven’t been formally accredited such as Beyond Housing and Yorkshire in Business.

3.2 Accreditation with the Living Wage Foundation requires three commitments from the Council:

- To pay all directly employed staff the UKLW and increase in line with the foundations recommendations each year.
- To encourage contractors and sub-contractors providing a service to the Council to pay their staff the UKLW – particularly targeting those who provide a regular service to the Council and work at least 2 hours per week for a period of 8 consecutive weeks per year.
- To promote the council as a UKLW employer and encourage other employers to register with the Living Wage Foundation and pay their staff the UKLW.

3.3 The process for registering as an accredited Living Wage employer is an external check on salary and procurement processes by a representative from the Living Wage Foundation followed by a contract being signed by both parties. This process takes between 10 days and 6 months depending on the complexities of the Council’s procurement processes. There is a £480 annual charge for registering.

3.4 If the Council were to initiate a campaign, work would be done to highlight an appropriate organisation to head up this and a detailed campaign plan would be developed and brought to a future Cabinet meeting.
3.5 The Regeneration Team will provide support to employers in order to guide them through the registration process.

3.6 A long term plan of activity would be developed involving a range of promotional events and consultations to be led by the Regeneration Team to assist a large number of employers to see the benefits of paying the Living Wage and become accredited.

3.7 This campaign would be led in a sensitive manner focusing on the benefits of becoming a UKLW employer without judgement on those employers who are unable, at this stage, to commit to paying the UKLW.

3.8 Benefits of being a UKLW employer are widely known and include:
- Improved employee retention
- Improved staff morale
- Decreased employee sick time
- Greater customer satisfaction
- Increased referrals
- Customer loyalty
- Improved productivity
- Greater innovation
- Good reputation
- Pride in your business

These benefits are in line with the emerging YNYER LEP Local Industrial Strategy.

3.9 Across the Borough area there is a significantly higher number of jobs paid below the UKLW, 37% for Scarborough compared to the YNYER LEP area average of 28%. There are 49,800 people employed across the Council area meaning approximately 18,426 jobs are paid below the UKLW hourly rate. Consultation with Scarborough Citizen’s Advice also indicates that at least 41% of their employed clients claim in work benefits.

3.10 As 86% of residents live and work across the Council area, a Borough wide UKLW campaign will be one of the measures to improve rates of pay.

3.11 Benefits from an increase in local UKLW employers and higher rates of pay include a significant contribution to supporting residents out of poverty and reducing the dependence on in work benefits.

4. CONSULTATION

4.1 The GMB, UNISON and Unite Trade Unions are all committed to the principle of the UKLW and in favour of the Council paying the increased hourly rate. They accept that there are some advantages in applying it within the Council, including the achievement of a minimum standard of living, some reduction in financial insecurity, an improved quality of life for the lowest paid staff, and it could potentially stimulate the local economy, by increasing the disposable income of those directly affected.
4.2 Staff across the Council will be consulted through the ‘Pride in Our People’ element of the ‘Building a Better Borough’ programme.

5. **ASSESSMENT**

5.1 The 2020/2021 budget has allowed for a 3% pay increase. This allows for the implementation of the UKLW at £9.30 per hour for the lower scale points.

5.2 In the event that the bottom scale points were less than £9.30 per hour following the pending pay review, this may have an impact on pay differentials.

5.3 There are a number of testimonials available on the Living Wage Foundation’s website from accredited employers detailing the benefits of accreditation and being known as a UKLW employer. Highlights include:

- 93% of Living Wage businesses have benefited since accreditation.
- 86% say it has improved the reputation of their business.
- 75% say it has increased motivation and retention rates for employees.
- 64% say it has helped them differentiate themselves from others in their industry.
- 58% say it has improved relations between managers and their staff.

6. **IMPLICATIONS**

**Policy**

6.1 If the Council registers as a Living Wage Employer and the Living Wage pay supplement continues then this will need to be reflected in the Council’s Pay Policy Statement.

**Financial**

6.2 The financial implications are mainly contained in the body of the report. The ongoing cost of the proposals will also need to be built into current and future budget setting proposals.

**Legal**

6.3 It is important to stress that payment of the UKLW is discretionary and not contractual or in pursuance of any other legal obligation. It is recommended that the payment of the Living Wage should continue to be reviewed periodically in accordance with current practice.

**Equality and Diversity**
6.4 The Council does not anticipate any vulnerability to equal pay claims as a result of the continued payment of the Living Wage supplement or accreditation with the Living Wage Foundation. It is important to stress that the UKLW is not about the role or the job; it is about the cost of living. To ensure that any potential equal pay risks are mitigated it is, however, essential that the principles of the UKLW are applied consistently across the Council to all employees and workers. On the balance of probabilities, it is also likely that the Council will be able to justify the differential treatment compared to other employees on the basis that the application of the Living Wage is a proportionate means of achieving a legitimate aim, i.e. paying a Living Wage.

Staffing

6.5 The human resources implications are mainly contained in the body of the report and we will continue to consult with staff and unions as part of our ‘Pride in Our People’ programme.

Communications

6.6 Changes to current arrangements will be communicated within and outside of the Council. In relation to internal communication staff will be made aware of the reasons for any changes and the impact on them personally.

Crime and Disorder, Health and Safety and Environment and Planning

6.7 I have considered whether any of these implications arise from this report and I am satisfied that there are no identified implications that will arise from this decision.

Richard Bradley
Commercial Director

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Background Papers:
None.

IF YOU HAVE ANY QUERIES ABOUT THIS REPORT OR WISH TO INSPECT ANY OF THE BACKGROUND PAPERS, PLEASE CONTACT THE AUTHOR.
## Risk Matrix

<table>
<thead>
<tr>
<th>Risk Ref</th>
<th>Date</th>
<th>Risk</th>
<th>Consequences</th>
<th>Mitigation</th>
<th>Current Risk Score</th>
<th>Target Score</th>
<th>Service Unit Manager/Responsibile Officer</th>
<th>Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>February 2020</td>
<td>Impact on employee relations.</td>
<td>Potential negative impact on employee relations in the event that no further increase in hourly rate was to be paid.</td>
<td>Now that the new pay rates are in place the bottom SCP rate of £8.50 per hour is already well above the statutory NLW rate and enables the Council to demonstrate the value the Council places on the work undertaken by its lowest paid employees. If the rate not increased then communication with the workforce as to the reason for this will need to be effectively managed to reduce employee relations issues being raised.</td>
<td>B2</td>
<td>A1</td>
<td>DT/HRM</td>
<td>None</td>
</tr>
<tr>
<td>2</td>
<td>February 2020</td>
<td>Payment of the UKLW pay supplement at the full rate of £9.30 per hour will increase Council costs.</td>
<td>This will increase Council costs and and therefore additional funding will need to be found.</td>
<td>The impact on budgets will need to be closely monitored.</td>
<td>C3</td>
<td>B2</td>
<td>DT/HRM</td>
<td>None</td>
</tr>
<tr>
<td>Risk Ref</td>
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<tr>
<td>3</td>
<td>February 2020</td>
<td>That a local UKLW Campaign be incorrectly perceived as a negative campaign.</td>
<td>This could damage relations between the Council and local employers.</td>
<td>The campaign will be handled in a sensitive manner focusing on larger employers and not naming employers who are unable or unwilling to commit to becoming UKLW employers.</td>
<td>B2</td>
<td>A1</td>
<td>RB/ESM</td>
<td>A sensitive campaign will be developed.</td>
</tr>
</tbody>
</table>

**Glossary of Terms**

Risk
Consequences
Mitigation
Current Risk Score
Target Risk Score
Service Unit Manager
Action Plan

An event which may prevent the Council achieving its objectives
The outcome if the risk materialised
The processes and procedures that are in place to reduce the risk
The likelihood and impact score with the current mitigation measures in place
The likelihood and impact score that the Council is aiming to achieve
The Service Unit or Officer responsible for managing the risk
The proposed actions to be implemented in order to reduce the risk to the target score

**Risk Scoring**

<table>
<thead>
<tr>
<th>Impact</th>
<th>Score</th>
</tr>
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<tbody>
<tr>
<td>5</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
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<tr>
<td>3</td>
<td></td>
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<tr>
<td>2</td>
<td></td>
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</tbody>
</table>
Likelihood:
A = Very Low
B = Not Likely
C = Likely
D = Very Likely
E = Almost Certain

Impact:
1 = Low
2 = Minor
3 = Medium
4 = Major
5 = Disaster