

For publication

Real Living Wage Employer

Meeting:	Joint Cabinet and Employment and General Committee
Date:	21 June 2022
Cabinet portfolio:	Customers and Business Transformation
Directorate:	Digital, HR and Customer Services
For publication	

1.0 Purpose of the report

- 1.1 This report provides members with information on the new real living wage for the 2022-2023 financial year. It seeks approval to align the minimum rate which Chesterfield Borough Council pays to its employees to the new real living wage rate of £9.90 per hour from 1 April 2022.

2.0 Recommendations

- 2.1 That approval is given to implement the real living wage of £9.90 per hour from 1 April 2022, enabling Chesterfield Borough Council to continue to be a real living wage employer.
- 2.2 That elected members approve that £34,000 (including oncosts) can be taken from the budget risk reserve to fund the increased pay bill during the 2022-2023 financial year. Ongoing costs will need to be included within the revised assumptions for the medium-term financial plan as part of the budget process.

3.0 Reason for recommendations

- 3.1 Chesterfield Borough Council is committed to providing fair pay and good working conditions for employees. Increasing the minimum rate of pay to the level of the independently calculated real living wage will ensure that

the wages which are paid to our employees are sufficient to meet the cost of living.

4.0 Report Details

Background

- 4.1 The real living wage provides a benchmark for responsible employers who choose to offer a rate of base pay that meets the basic cost of living in the UK. It is calculated independently by the Resolution Foundation and is overseen by the Living Wage Commission. It has been in place since 2011.
- 4.2 The real living wage is higher than the government's national living wage rate. It is informed by minimum income standards, which reflect the level of income which is required by households to reach a socially acceptable living standard. The rate used is determined by reviewing the cost of a basket of household goods and services each year. In comparison, the statutory national minimum wage is based on a target to reach two thirds of median earnings by 2024 and does not feature any consideration of living standards.
- 4.3 Organisations can apply (at a cost) to be formally accredited as a real living wage employer. Accreditation requires that the organisation pays at least the real living wage to all employees within six months of the change in rate. Chesterfield Borough Council has chosen not to seek formal accreditation as a real living wage employer, but elected members have committed to continue to monitor the real living wage rate and to annually consider its implementation as a minimum rate of base pay for employees if this is higher than the National Joint Committee (NJC) pay scales for Local Government.

Payment of the real living wage in Chesterfield Borough Council

- 4.4 Chesterfield Borough Council first introduced the real living wage in April 2016.
- 4.5 In April 2018, the NJC annual pay review resulted in the lowest rate of pay being raised above the real living wage rate, negating the need for the real living wage to be implemented.
- 4.6 In April 2020, the real living wage rose again to a level which was above that of the lowest NJC pay band and elected members approved that the minimum rate of pay be increased to the real living wage rate of £9.30 per hour.

- 4.7 In April 2021, the real living wage increased further, to £9.50 per hour, and councillors agreed to uplift the hourly rate of employees on Grades 1 and 2 of the NJC pay scales, on the basis that until the national pay award was announced, these employees would be paid below the real living wage. This affected 91 employees within Chesterfield Borough Council.
- 4.8 The real living wage for the financial year 2022-2023 has risen to £9.90 per hour and it is recommended that the Council's minimum pay rates are uplifted to this amount from 1 April 2022, so that Chesterfield Borough Council continues to pay wages that reflect living costs and are enough for people to live.
- 4.9 The number of employees in Chesterfield Borough Council who need to receive an increase in their pay rates so that they are paid the real living wage is increasing. Employees on scale points 1 – 3 of the NJC salary bands are now in scope to receive an increased payment.
- 4.10 If elected members approve the implementation of the real living wage from 1 April 2022, a total of 257 employees (129.67 FTE) will receive an increase in pay. This is broken down as follows:
- i. Scale Point 1 – 93 employees (65.53 FTE) who are currently paid an hourly rate of £9.50.
 - ii. Scale Point 2 – 14 employees (3.78 FTE) who are currently paid an hourly rate of £9.60.
 - iii. Scale Point 3 – 150 employees (60.36 FTE) who are currently paid an hourly rate of £9.79.
- 4.11 A budget of £81,200 per annum (including oncosts) is required to implement the real living wage to those employees identified in 4.10 above.
- 4.12 The Council has already provisioned a 2% increase in pay for its' employees in the 2022–2023 budget which will offset some of this cost. However, if elected members approve the implementation of the real living wage, there will be an in-year budget gap of £34,000 (with oncosts) as moving to the real living wage is above the 2% increase which was forecast.
- 4.13 This increase can be met through use of the Council's budget risk reserve, with the ongoing additional costs built into the base budget.

5.0 Alternative options

- 5.1 Elected members could choose not to implement the real living wage in this financial year. Whilst there would not be a direct increase in pay budget by implementing this option, it would mean that 257 employees do not receive earnings which are in line with the cost of living.
- 5.2 The difference between the current pay rate of our lowest paid employees and the real living wage equates to the equivalent of three months of food or 10 weeks of housing costs. Failure to increase employee pay in line with the real living wage could therefore have a negative impact on the health and wellbeing of our workforce who may struggle to meet the cost-of-living rises. This may result in unintended financial consequences for Chesterfield Borough Council through increased absence, reduced productivity, and difficulty in recruitment to roles. In addition, this could result in an increase in the need to access voluntary sector organisations or other Chesterfield Borough Council welfare related services as people struggle to make ends meet and fall into crisis.
- 5.3 As the Council's leadership is committed to ensuring that Chesterfield Borough Council is a responsible employer, whose pay rates meet the basic cost of living, this option has been disregarded.

6.0 Implications for consideration – Financial and value for money

- 6.1 The real living wage has risen to £9.90 for the financial year 2022 – 2023.
- 6.2 257 employees currently receive a wage which is lower than the real living wage.
- 6.3 If elected members choose to increase the basic rate of pay for these employees to £9.90 per hour, in alignment with the real living wage, the Council's pay bill will increase by £81,200 including on costs. This is broken down as:
- i. 93 employees (65.53 FTE) receive a real living wage increase of £0.40 per hour, totalling £62,200 including oncosts.
 - ii. 14 employees (3.78 FTE) receive a real living wage increase of £0.30 per hour, totalling £3,000 including oncosts.
 - iii. 150 employees (60.36 FTE) receive a real living wage increase of £0.11 per hour, totalling £16,000 including oncosts.

- 6.4 A 2% increase in salary budgets has already been incorporated into our budgets, which will offset the cost of the real living wage by £47,200 including oncosts. This leaves a budget shortfall of £34,000 including oncosts which is not currently funded.
- 6.5 It is proposed that the budget shortfall is met from the budget risk reserve in 2022-23 and that the additional cost is built into the base budget for future years.
- 6.6 The real living wage is reviewed and updated annually by the Living Wage Foundation. The council will continue to track this rate and the Human Resources team will bring a report to Joint Cabinet and Employment and General Committee on an annual basis to consider whether the real living wage is implemented in future years.

7.0 Implications for consideration – Legal

- 7.1 There is no legal requirement to pay the real living wage. It is a voluntary payment that is currently higher than the statutory National Minimum Wage and National Living Wage. The rate of pay is calculated based on the cost of living and assessed against a set basket of goods and services. It is reviewed annually.

8.0 Implications for consideration – Human resources

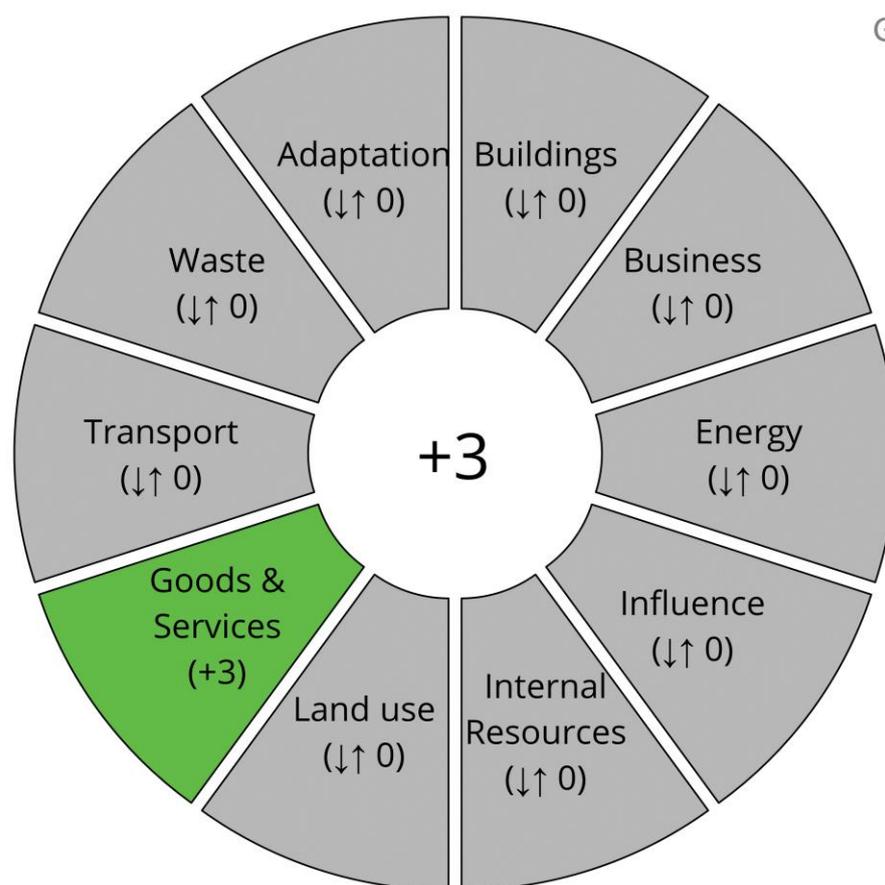
- 8.1 257 employees currently receive a salary which is lower than the real living wage. It is proposed that these employees receive a salary uplift to the minimum rate of pay of £9.90 per hour from 1 April 2022, enabling the council to continue to be a real living wage employer and pay a wage which meets socially accepted income standards.

9.0 Implications for consideration – Council plan

- 9.1 Payment of the real living wage supports Chesterfield Borough Council's vision, values, and priorities as set out in the Council Plan.
- 9.2 Payment of a rate of pay which takes account of spending needs will ensure that employees can enjoy a socially acceptable living standard. This in turn will enable the Council to benefit from a happier, healthier, and more productive workforce, who are able to spend in our local economy, whilst also helping to reduce the demand for welfare support.

10.0 Implications for consideration - Climate change

- 10.1 Aligning to the real living wage will slightly increase the Council's pay bill and will result in some employees having more money to spend on the goods and services they need to buy. It will allow employees to be in a position of choice around what they buy and enable them to consider the carbon footprint in their decision making.



Chesterfield Borough Council has committed to being a carbon neutral organisation by 2030 (7 years and 7 months

11.0 Implications for consideration - Equality and diversity

- 11.1 A full EIA was completed in 2016 when the living wage was first introduced, and this has been updated to reflect the current position. A copy of this can be found in appendix 1.

12.0 Implications for consideration - Risk management

12.1 Please populate the spreadsheet with the risks and mitigations

Description of the Risk	Impact	Likelihood	Mitigating Action	Impact	Likelihood
Risk that employees would be disengaged, should we no longer be a living wage employer.	Medium	High	Implement real living wage	Low	Low
Risk of increased welfare requirements	Medium	High	Implement real living wage	Low	Low
Risk of disenfranchisement of staff at higher scale points due to compression of grades	Medium	Medium	National pay award discussions and agreement to consider issue up to 2024. Risk increases in later years as the living wage is forecast to reach over £11 by 2024, when a review of pay and grading will be required.	Medium	Medium

Decision information

Key decision number	1105
Wards affected	All wards

Document information

Report author	
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Appendices to the report	
Appendix 1	Equality Impact Assessment