

**Title of meeting:** Employment Committee

**Date of meeting:** 25 January 2024

**Subject:** Real Living Wage Accreditation - Update

**Report by:** Director of Corporate Services on behalf of Cross Party Member working Group

**Wards affected:** None

**Key decision:** ~~Yes~~/No

**Full Council decision:** ~~Yes~~/No

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## 1. Purpose of report

- 1.1 At its meeting of 30 November 2023 and in its capacity as the Task and Finish Group, the Committee resolved to ask officers to provide an update on the financial impact of seeking Real Living Wage (RLW) accreditation.
- 1.2 The purpose of this report is to provide an updated analysis of the financial impact on the council in view of:
- existing budget pressures,
  - the higher than anticipated increase to National Living Wage (NLW) announced in the Chancellor's autumn 2023 budget, and
  - the increase to Real Living Wage announced by the Living Wage Foundation in November 2023.

## 2. Recommendations

- 2.1 The task and finish group recommend that:
- The Employment Committee notes the update on the financial impact of seeking Real Living Wage accreditation.
  - A copy of the Real Living Wage update report is circulated to members of the Cabinet before its meeting on 6 February 2024 in order that the Cabinet may consider the financial impact of Real Living Wage accreditation in the upcoming budget setting process based on the updated information and context provided in this report.

### 3. Background

- 3.1 Over the past two years a project team has worked to provide the committee with further detail on the implications of seeking accreditation as a Living Wage employer. Reports have been tabled detailing the likely cost implications, challenges, benefits as well as current market conditions and feedback from those suppliers likely to be most affected by such a policy.
- 3.2 The committee have been clear that accreditation as a Living Wage employer is something the council aspires to and has reinforced its commitment by adopting a policy of paying directly employed PCC staff the living wage year on year since 2018.
- 3.3 In order to become an accredited Living Wage employer sustainable funding needs to be identified through the budget process. The last estimate of costs was provided to the Committee in its November 2022 meeting highlighting a need to identify £1.978m of ongoing funding.
- 3.4 Since that time the context in which the council operates has changed whereby budget pressures are being faced, particularly in Adult Social Care which is the service most likely to be affected by RLW accreditation. The rate for NLW announced by the Chancellor in his Autumn Statement has increased to £11.44 which is higher than the Low Pay commission spring 2023 forecast of a range between £10.90 - £11.43. The increase to NLW will be reflected in the 2024/25 budget.
- 3.5 The HRA has budgeted in 2024/25 for Repairs and Maintenance contractors to award a cost-of-living rise and in doing so they will meet the national living wage at £11.44 p/h. To move to the Real Living Wage would increase the cost of the service by c.£200k, but that figure would rise because of the ripple effect caused by the compression of pay rates between different roles.
- 3.6 In addition, the cost of living pay award for 2024/25 is not yet agreed but is likely to add further pressure to council budgets.
- 3.7 Based on all of the above the financial impact has been remodelled and updated in table 1 below:

*The full year impact of requiring PCC contractors to pay the current RLW rate of £12.00 per hour has been estimated at circa £2.7m This can be further analysed as follows:*

**Table 1**

	<i>£'000</i>
<i>Adult Social Care</i>	<i>2,000</i>
<i>Other General Fund services</i>	<i>500</i>
<i>Total General Fund</i>	<i>2,500</i>
<i>HRA</i>	<i>200</i>
<b><i>Total Cost to PCC</i></b>	<b><i>2,700</i></b>

3.8 In addition there would be costs relating to officer time, contract management and reporting not currently budgeted for.

3.9 The financial impact of implementing RLW would require equivalent ongoing sustainable savings to be identified within the Council's budgets.

#### **4. Integrated Impact Assessment**

4.1 This report does not require an Integrated Impact Assessment as there are no proposed changes to PCC's services, policies, or procedures included within the recommendations. In the event that a policy decision is taken an integrated impact assessment will be completed.

#### **5. Legal Implications**

5.1 There are no legal implications that arise from the recommendations of this report. Any subsequent report to cabinet will be reviewed and comment provided separately.

#### **6. Finance Comments**

6.1 The Council's annual budget process provides each Portfolio with an allocation for inflation so that it is funded to operate 'steady state' services. No provision is included in the current budget for the additional cost of requiring contractors to pay the RLW to their employees.

6.2 Whilst the 3-year forward forecast for 2023/24 to 2025/26 included in the Budget report to City Council in February 2022 did not plan for any savings requirement to balance the budget, cost pressures have emerged which will impact budgets going forward e.g. energy, fuel, waste and general inflation.

6.3 At the point if any decision is taken to implement the RLW, the City Council will simultaneously need to identify and approve savings of 2.5m in order to fund this policy initiative together with cost of officer time to manage the initiative ongoing. Similarly, the any cost impact on the HRA will need to be factored into the HRA budget and considered as part of the consultation with tenants.

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Signed by (Director)

**Appendices:**

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location