

To: **City Executive Board**

Date: **11<sup>th</sup> December 2013**

Report of: **Head of HR & Facilities**

Title of Report: **OXFORD LIVING WAGE INDEXATION**

## Summary and Recommendations

**Purpose of report:** To present a method for reviewing the rate of the Oxford Living Wage, and uplifting it accordingly

**Key decision?** No

**Executive lead member:** Councillor Bob Price

**Policy Framework:** Efficient & Effective Council

**Recommendation(s):**

That the City Executive Board:

- 1) Agree option 3 (as set out in this report) as the basis for determining any increase for the Oxford Living Wage
- 2) Apply any changes in the Oxford Living Wage in April each year following notification of changes to the London Living Wage in the previous November.

## **Appendices to report:**

Appendix 1: Calculating the Living Wage

Appendix 2: Risk Register

Appendix 3: Equalities Impact Assessment

## **Introduction**

- 1 Currently, there is no agreed mechanism for uplifting the Oxford Living Wage, to take account of increases in the cost of living, etc. This paper sets out a proposal to introduce one.

## **Background**

- 2 The Council introduced the Oxford Living Wage in 2009 following a Motion to Council in response to concerns regarding how expensive it is to live and work in the City. Originally the Oxford Living Wage was set at £7.01 per hour. An initial increase was applied to mirror the change in national pay scales in April 2009 (to £7.19 per hour). Further increases were applied as follows:

January 2012 - £8.01

April 2013 - £8.13 (current rate)

- 3 All employees and agency workers are paid the Oxford Living Wage rate or the equivalent rate for the role if higher. All of the Council's key suppliers and subcontractors (where the contract relates to a construction project) are also required to pay their employees at least the Oxford Living Wage and this is set out within the contract terms. The Council also encourages other city-based businesses and Council suppliers to adopt a similar arrangement and it remains a committed Living Wage employer, having received national accreditation in 2012.
- 4 In terms of the National Living Wage Campaign, there are 2 prescribed methodologies for Living Wage calculations (i.e. the London Living Wage and the National Living Wage – see appendix 1 for a summary). The calculations are complex and are based on a variety of data sources and inputs.
- 5 For information, as part of the 2013 / 2018 pay agreement, attention was given to Oxford City Council lower paid staff meaning that with effect from 1 October 2013, no City Council employee (apart from some previously agreed apprentices) or agency worker earns less than £8.85 per hour (the lowest spinal column point on the lowest grade, grade 3).

## Proposals

- 6 Like the National and London Living Wages, on-going payment of the Oxford Living Wage needs to take account of the passage of time and changes in the economy, such as increases in the cost of living. Options to do this are set out below:

### Option 1

- 7 Apply the locally agreed cost of living relevant to Council pay to the Oxford Living Wage. However this only reflects what has been agreed for Council pay, and does not take into account the range of dimensions used in the recognised Living Wage calculations.

### Option 2

- 8 The Council undertakes our own local economy-based calculations. This would be based on the methodologies adopted by the National Living Wage and London Living Wage campaigns. Given the complexities this process will be resource-intensive and require in-depth research and analysis of the local economy.

### Option 3 (recommended)

- 9 Given the drawbacks with the first two options, it is proposed to introduce and maintain a percentage differential between the Oxford Living Wage and the London Living Wage. As such any change in the London Living Wage will be reflected in the Oxford Living Wage
- 10 Prior to November 2013, the rates are as follows:

<b>Wage</b>	<b>Rate</b>	<b>Percentage of LLW</b>
National Living Wage	£7.45	87%
Oxford Living Wage	£8.13	95%
London Living Wage	£8.55	100%

- 11 In November 2013, the rates increased as follows:

<b>Wage</b>	<b>Rate</b>	<b>Percentage of LLW</b>
National Living Wage	£7.65	87%
London Living Wage	£8.80	100%

- 12 Therefore if the Council continued to maintain an Oxford Living Wage at a rate of 95% of the London Living Wage, the revised Oxford Living Wage would be £8.36 per hour. This could be effective from April 2014 (to allow time for budgeting and implementation) and subsequent increases applied each April thereafter following the (usual) November notification of new rates for the London Living Wage and National Living Wage.

## **Finance**

- 13 The Council has already factored in paying a minimum of £8.85 (with effect from October 2013) i.e. £0.49 per hour above the Oxford Living Wage to its entire staff as part of the 2013/18 pay agreement therefore no adjustment is needed to the medium term financial plan.
- 14 Increasing the Oxford Living Wage to £8.36 will increase Fusions costs by another £36k(i.e. the difference between the sum already budgeted for (£8.13) and this new rate). However, allowing for RPI provisions within the contract Fusion will be required to pick up the substantial element of this. Using October RPI (1.9%) takes Fusion's liability under the contract to £8.28. The actual figure will be based on April RPI.
- 15 Requiring other contractors to further increase their rates of pay is likely to have an increase in future costs of procurement. Currently The Council requires existing suppliers to increase the pay rate of any employee to meet a higher pay rate within an agreed period.

## **Risk**

- 16 A risk assessment is set out in Appendix 2.

## **Environmental Impact**

- 17 There are no environmental impacts to report

## **Equalities Impact**

- 18 An Equalities Impact Assessment is attached at Appendix 3.

## **Legal Implications**

- 19 There are no legal implications to report

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## **Appendix 1 –Living Wage Calculations**

### **Calculating the London Living Wage**

*The London Living Wage is calculated by the GLA and based on a ‘poverty threshold wage’ plus 15%. This uses a combination of two approaches:*

- *An estimate of the costs of a ‘low cost but acceptable’ budget for a selection of households – and calculates a wage required to meet those costs. The calculation reflects ‘a wage that achieves an adequate level of warmth and shelter, a healthy palatable diet, social integration and avoidance of chronic stress for earners and their dependents’*
- *Income distribution – which takes the median income in London across 11 household types and takes 60% of it*

*The average of these two wages is the ‘poverty threshold wage’. The calculation takes into account means-tested benefits*

### **Calculating the UK Living Wage**

*The UK Living Wage is calculated annually by the Centre for Research in Social Policy at Loughborough University, drawing on the Minimum Income Standard for the UK. The calculation begins with assessing minimum living costs in the current year, translated into a wage requirement and then consideration given to applying any cap limiting the increase in any one year.*

*The Minimum Income Standard identifies minimum costs for each of 9 different household types (e.g. single, couple, lone parent, etc.), excluding rent, council tax and childcare (see below) with items identified by members of the public as priced at national chain stores.*

*Rent, council tax and childcare costs are then factored in. A single living wage is calculated by determining a weighted average across the different household types*

*Consideration is given to capping any increase as this is considered necessary to make payments affordable.*

## Appendix 2 – Risk Register & Action Plan – Living Wage Uplift

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Risk ID	Risk						Corporate Objective	Gross Risk	Residual Risk		Current Risk		Owner	Date Risk Reviewed	Proximity of Risk (Projects/Contracts Only)	
	Category-000-Service Area Code	Risk Title	Opportunity/Threat	Risk Description	Risk Cause	Consequence			Date raised	1 to 5	I	P	I	P		
HR001	Community impact	T	Benefit of Oxford Living Wage diminished	Not uplifting the OLW to take account of future increases to cost of living, etc.	OLW is worth less adversely impacting income of recipients	19/11/13	5		2	4	1	1	2	4	SMH	
HR002	Council reputation	T	OLW discredited as value diminished	Not uplifting the OLW to take account of future increases to cost of living, etc.	Council reputation impacted as OLW not maintained at an appropriate rate, loss of LW accreditation	19/11/13	5								SMH	
HR003	Selling services	T	OLW reduces the Council's ability to sell services	Paying the OLW means the Council is less competitive when bidding to provide services commercially	Less income	19/11/13	5		3	3	2	2	3	3	SMH	

Risk ID	Risk Title	Action Owner	Accept, Contingency, Transfer, Reduce or Avoid	Details of Action	Key Milestone	Milestone Delivery Date	%Action Complete	Date Reviewed
HR001	Community impact	SMH	Reduce	Introduce an indexation method to OLW	Agreement (December CEB)	11/12/13		
HR002	Council reputation	SMH	Reduce	Introduce an indexation method to OLW	Agreement (December CEB)	11/12/13		
HR003	Selling services	SMH	Accept	The Council is successfully bidding for work and has already agreed to pay its own staff above the OLW as part of the 5 year pay deal	Agreement (December CEB)	11/12/13		

## Appendix 3 - Equalities Impact Assessment – Living Wage Uplift

### Initial screening EqIA template

Prior to making the decision, the Council's decision makers considered the following: guide to decision making under the Equality Act 2010:

The Council is a public authority. All public authorities when exercising public functions are caught by the Equality Act 2010 which became law in December 2011. In making any decisions and proposals, the Council - specifically members and officers - are required to have **due regard** to the 9protected characteristics defined under the Act. These protected characteristics are: **age, disability, race, gender reassignment, pregnancy and maternity, religion or belief, sex, sexual orientationand marriage & civil partnership**

The decision maker(s) must specifically consider those protected by the above characteristics:

- (a) to seek to ensure equality of treatment towards service users and employees;
- (b) to identify the potential impact of the proposal or decision upon them.

The Council will also ask that officers consider whether the policy, strategy or spending decisions could have an impact on safeguarding and / or the welfare of children and vulnerable adults

If the Council fails to give 'due regard', the Council is likely to face a Court challenge. This will either be through a judicial review of its decision making, the decision may be quashed and/or returned for it to have to be made again, which can be costly and time-consuming diversion for the Council. When considering 'due regard', decision makers must consider the following principles:

1. **The decision maker is responsible for identifying whether there is an issue and discharging it.** The threshold for one of the duties to be triggered is low and will be triggered where there is any issue which needs at least to be addressed.
2. **The duties arise before the decision or proposal is made, and not after and are ongoing.** They require **advance** consideration by the policy decision maker with conscientiousness, rigour and an open mind. The duty is similar to an open consultation process.
3. **The decision maker must be aware of the needs of the duty.**
4. **The impact of the proposal or decision must be properly understood first.** The amount of regard due will depend on the individual circumstances of each case. The greater the potential impact, the greater the regard.
5. **Get your facts straight first!** There will be no due regard at all if the decision maker or those advising it make a fundamental error of fact (e.g. because of failing to properly inform yourself about the impact of a particular decision).
6. What does 'due regard' entail?
  - a. **Collection and consideration of data and information;**
  - b. **ensuring data is sufficient to assess the decision/any potential discrimination/ensure equality of opportunity;**
  - c. **proper appreciation of the extent, nature and duration of the proposal or decision.**

7. **Responsibility** for discharging can't be delegated or sub-contracted (although an equality impact assessment ("EIA") can be undertaken by officers, decision makers must be sufficiently aware of the outcome).
  8. **Document the process** of having due regard! Keep records and make it transparent! If in any doubt carry out an equality impact assessment ("EIA"), to test whether a policy will impact differentially or not. Evidentially an EIA will be the best way of defending a legal challenge. See hyperlink for the questions you should consider  
<http://occweb/files/seealsodocs/93561/Equalities%20-%20Initial%20Equality%20Impact%20Assessment%20screening%20template.doc>
1. Within the aims and objectives of the policy or strategy which group (s) of people has been identified as being potentially disadvantaged by your proposals? What are the equality impacts?

**Living Wage Uplift:**

The aims of the policy commitment to an Oxford Living Wage (OLW) are (1) continue with the commitment to pay the Oxford Living Wage, which was originally implemented in April 2009, to recognise that Oxford is an expensive place to live and work, (2) agree to introduce a sensible mechanism to uplift the living wage with an alignment of the Oxford Living Wage to reflect any changes in the broader national economy and to maintain an Oxford rate at an affordable % against the London Living Wage, (3) to assess the likely impact on contractors and to put mitigating actions in place to ensure that they are able to meet a higher pay rate, and (4) to publish a methodology that we might encourage other local employers to adopt as best practice so that the principle of a living wage is not undervalued

It is anticipated that the only direct potential impacts are (1) those on the future costs of procurement rather than on an individual level, and (2) ensuring that adjustment mechanisms to the OLW are applied each April to allow time for budgeting and implementation.

We believe that by being only one of 18 local authorities committed to paying the national living wage (£7.65), and indeed going well beyond this level (to a proposed rate of £8.36 effective from April 2014), the policy has a strong socio economic impact across all protected characteristics recognised under the Equality Act 2010 and might encourage other local employers to follow suit

2. In brief, what changes are you planning to make to your current or proposed new or changed policy, strategy, procedure, project or service to minimise or eliminate the adverse equality impacts?

Please provide further details of the proposed actions, timetable for making the changes and the person(s) responsible for making the changes on the resultant action plan

The only significant change proposed by the policy is to set the Oxford Living Wage at £8.36, 95% of the London Living Wage level (currently £8.80), to reflect the fact that Oxford is the most expensive place to live outside London.

The proposal to introduce and maintain a percentage differential between the OLW and London Living Wage will reflect an annual cycle and be effective from April in each financial/ calendar year should an uplift be required.

The Council has identified that the biggest single financial impacts will be that the annual costs of the Fusion contract will increase by another £36k (the difference in the uplift from the £8.13 already budgeted for to the new rate of £8.36), and potentially that future costs of procurement might rise. However, it is not anticipated that significant adjustments in the medium term financial plan will be necessary to meet these additional costs.

Note: The Council has already paid considerable attention to its lowest paid staff as part of its five year pay bargaining deal (see excerpt from paragraph 5 in the report below) and is already paying staff above the OLW:

*“as part of the 2013 / 2018 pay agreement, attention was given to Oxford City Council lower paid staff meaning that with effect from 1 October 2013, no City Council employee (apart from some previously agreed apprentices) or agency worker earns less than £8.85 per hour (the lowest spinal column point on the lowest grade, grade 3)”*

The most significant impacts of paying an OLW are therefore likely to have positive effects on the Council's recruitment and retention, improved staff morale, motivation, productivity and the broader reputational impacts of being an ethical employer, campaigner and community leader.

3. Please provide details of whom you will consult on the proposed changes and if you do not plan to consult, please provide the rationale behind that decision.

Please note that you are required to involve disabled people in decisions that impact on them

The basis for determining and applying any future increase in the OLW will not require wider consultation as it merely appends a current policy commitment reflecting significant leadership as an employer and in terms of our community and wider social responsibilities.

4. Can the adverse impacts you identified during the initial screening be justified without making any adjustments to the existing or new policy, strategy, procedure, project or service?

Please set out the basis on which you justify making no adjustments

A risk assessment (Appendix 2) covers the benefits of introducing the uplift for the living wage. No major adjustments are anticipated.

5. You are legally required to monitor and review the proposed changes after implementation to check they work as planned and to screen for unexpected equality impacts.

Please provide details of how you will monitor/evaluate or review your proposals and when the review will take place

The proposal to introduce and maintain a percentage differential between the Oxford Living Wage and the London Living Wage will be subject to an annual review by the Head of HR and sign offs from Finance and Legal.