

Decision No 2013/38



REPORT TO: POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

REPORT BY: LISA KITTO, CHIEF FINANCE OFFICER

DATE: JANUARY 2014

TITLE: IMPLEMENTATION OF THE LIVING WAGE

Appendix A refers

EXECUTIVE SUMMARY

The Living Wage has been around in its current form since 2005 when it was adopted by the Greater London Authority for its own staff in London. The Living Wage is an informal benchmark, not a legally enforceable minimum level of pay, like the national minimum wage. In 2008, the Joseph Rowntree Foundation looked to develop a formula for calculating a minimum income standard. For their purposes, a Living Wage could be defined as the level of income needed to provide an acceptable standard of living in Britain to ensure good health, adequate child development and social inclusion.

The Commissioner is committed to activities that promote fairness and opportunity and the adoption of the living wage supports this.

RECOMMENDATION

The Commissioner is asked to approve the introduction of the living wage to the Office of the Police and Crime Commissioner and the Constabulary and to authorise officers to start the accreditation process with the Living Wage foundation.

Decision taken by the Police and Crime Commissioner for Lancashire:

Original decision, as set out in the attached report, approved without amendment (please delete as appropriate)	YES	NO
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Original decision required to be amended and decision as detailed below:

The reasons for the amended decision are as detailed below:

Police and Crime Commissioner: Comments

DECLARATIONS OF INTEREST

The PCC is asked to consider any personal / prejudicial interests he may have to disclose in relation to the matter under consideration in accordance with the law, the Nolan Principles and the Code of Conduct.

STATEMENT OF COMPLIANCE

The recommendations are made further to legal advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation.

Signed: Police and Crime Commissioner Date:	Signed: Chief Officer: Date:
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Signed: Chief Constable Date:	Signed: Chief Finance Officer: Date:
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Implementation of the Living Wage

Introduction

The Living Wage has been around in its current form since 2005 when it was adopted by the Greater London Authority for its own staff in London. The Living Wage is an informal benchmark, not a legally enforceable minimum level of pay, like the national minimum wage. In 2008, the Joseph Rowntree Foundation looked to develop a formula for calculating a minimum income standard. For their purposes, a Living Wage could be defined as the level of income needed to provide an acceptable standard of living in Britain to ensure good health, adequate child development and social inclusion. Following detailed research they concluded that the Living Wage for a single working age adult in the UK was £6.88 an hour in 2008. The idea is that this represents the minimum pay rates needed to let workers lead a decent life.

The national minimum wage is set by the Chancellor of the Exchequer each year on the advice of the Low Pay Commission. It is enforced by Her Majesty's Revenue and Customs (HMRC). The national minimum wage is currently £6.31 an hour for those aged over 21.

The Living Wage, apart from in London, is currently calculated and set by the Centre for Research in Social Policy at Loughborough University on an annual basis. The Living Wage is now set at £8.55 an hour in London and £7.45 an hour in the rest of the UK.

Benefits to employers In adopting the Living Wage can include reduced absenteeism, improved staff loyalty and can reinforce an organisation's reputation for being an ethical employer.

Accreditation

Formal Licence of Accreditation is granted by the Living Wage Foundation to those employers who are committed to an agreed timetable of implementation through the award of the 'Living Wage Employer' mark. To be accredited as an official 'Living Wage Employer' an organisation must:

- Pay all of its direct staff at least the Living Wage rate;
- Commit to adjusting this within 6 months of an annual updating;
- Demonstrate progress towards requiring existing and new contractors to do the same.

Current Position for Lancashire Police and Crime Commissioner and Lancashire Constabulary

Salaries

There are two salary scales used within the Office of the Police and Crime Commissioner and the Constabulary to pay staff; one for police officers and the other for police staff.

- **Police Officers**

The pay scale for police officers is set nationally and the starting point is £23,493 per annum which is equivalent to £11.258 per hour. This is above the current Living Wage rate. As part of the Winsor Review of police officer terms and conditions, it was proposed that the starting salary for new police officer entrants to the service will be within a range of £19,191 to £21,220, which

at the lower point equates to an hourly rate of £9.20, which would be in excess of the living wage figure”

- **Police Staff**

The payscale used for police staff has a starting salary of £14,928 which is equivalent to £7.737 per hour and is above the Living Wage rate.

As starting salaries for both police officers and police staff within Lancashire are above the current Living Wage rate, there are no financial implications of moving to Living Wage Accreditation. The requirement to commit to adjusting payscales within 6 months of any changes in the rate will form part of the budget setting process in future years to ensure that the requirements of the accreditation continue to be met in the future.

Contractors

To qualify for the Living Wage Accreditation, organisations need to demonstrate progress towards encouraging existing and new contractors to adopt the Living Wage. Accreditation does not require an organisation's supply chain to pay the living wage unless they are regularly delivering services on their premises. For the living wage accreditation this is set as an employee (other than an apprentice or intern) who provides a service to or on behalf of the Licensee involving 2 or more hours of work in any given day in a week, for 8 or more consecutive weeks in a year on:

- the Licensee's premises; and/or
- property owned or occupied by the Licensee (including where the Licensee is a tenant and is provided building-related services through a Lease); and/or
- land which the Licensee is responsible for maintaining or on which is it required to work

The largest contract held for the provision of services which would be affected by the requirements of the Living Wage accreditation is with G4S. G4S provide custody services across the Lancashire area. G4S has confirmed that their employees on this contract are paid in excess of the living wage and therefore there will be no additional financial implications on this contract by seeking Living Wage Accreditation.

Further work is currently being undertaken to identify other contracts that may be affected by the accreditation and these will be encouraged to pay the Living Wage. A phased approach to contracts is permitted by the Living Wage Foundation where it is not possible to break existing contracts until the contract either expires or there is a break clause in the contract. There is however an expectation that all contracts have been reviewed within 3 years. It is proposed that the Commissioner and the Constabulary adopt a phased approach in relation to contracts.

The financial implications, at this stage, are not known but given the number and value of contracts to be affected are not considered to be significant. Any financial implications will be reviewed as part of the budget setting process for future years.

A new procurement strategy is currently being developed and is considered a key strand to the strategy of encouraging more contractors to pay the Living Wage. The procurement strategy will be clear in that the Commissioner and the Constabulary are Living Wage accredited implementing the Living Wage across the whole of the business of the Commissioner and the

Constabulary. All new tender documents will encourage tenderers to pay at a level at least equal to the Living Wage and to confirm that they will continue to do so.

Consultations

The unions/group has been consulted on this issue and are supportive of the approach proposed by the Commissioner. The living wage is also referenced in the unison charter which the Commissioner has signed up to.

Implications

Financial Implications

The current rates of pay for both police officers and police staff are greater than the current Living Wage rate and therefore there are no financial implications in implementing the Living Wage for staff employed by the Commissioner and the Chief Constable.

There may be additional costs from contractors should the Living Wage be applied to all contracts held as contractors may seek to protect their profit margins and pass the cost of the Living Wage back to the client. However given that the major contract to be affected already pays above the Living Wage, the financial implications are not considered to be significant. Any financial consequences will however be reviewed and reflected in the financial strategy.