

<b>Committee:</b>	<b>Date:</b>
Policy and Resources Committee – For Decision	4 October 2018
Establishment Committee – For Information	22 October 2018
Procurement Sub-Committee – For Information	7 November 2018
Finance Committee – For Information	13 November 2018
<b>Subject:</b>	<b>Public</b>
Living Wage Accreditation – Potential enhancements	
<b>Report of:</b>	<b>For Decision</b>
The Chamberlain	
<b>Report Author</b>	
Chris Bell, Commercial Director, Chamberlain’s	

### Summary

The City Corporation has been committed to the principle of Living Wage since 2012 and is an accredited member of the Living Wage Foundation since 2014. From April 2016 we have been fully compliant in line with the license for direct staff, temporary workers, contractors and supplier staff. The accreditation covers three main strands of committed support:

1. Commitment to pay our own staff and apprentices in line with the London Living Wage.
2. Commitment to pay suppliers’ staff in line with the Living Wage Foundation accreditation terms and conditions.
3. Promote the adoption of the Living Wage accreditation by City Businesses.

We have a well established and strong working relationship with the Living Wage Foundation as an early adopter of the standard and this has been illustrated by the Living Wage Awards being held at Guildhall earlier this year and the Barbican Centre being the location for the live announcement of the new rate this coming November.

There is now an opportunity to explore whether steps could be taken to build on this already strong commitment, including in those areas, such as the use of contract workers, where the existing Living Wage Foundation licence conditions could be further strengthened.

This report considers the possible enhancements below: *detailed in paragraph 12 of the main report*):

- i. **An enhanced Commitment to current Live Wage Policy** – *Mandate the Living Wage to be paid to all workers delivering two or more hours work.*
- ii. **Potential for an advanced Live Wage Accreditation being obtained** – *Consult with the Living Wage Foundation to develop a higher level of accreditation and be an exemplar of a Living Wage organisation.*
- iii. **Backdating Living Wage payments** - *Explore budgetary and operational implications regarding the potential to backdate Living Wage Payments to*

*supplier employees to when the new rate is announced in November each year (currently get their salary uplifted on 1st April each year but not backdated).*

- iv. **Auditing Compliance for Low Value Contracts** - *To introduce an audit of low value contracts below £10k to ensure compliance with the proposed revised Living Wage policy after twelve months and thereafter as a regular part of the audit cycle.*
- v. **Funding and Promotion of the Living Wage** - *Consider sponsorship of the Living Wage Foundation or add to our existing level of support to them via other channels within the City Corporation. This strand is also the subject of a more detailed paper being presented by EDO at this committee.*

As well as these possible enhancements the report considers other items related to audit and risk, the financial treatment related to the policy and lastly, our current and future commitment to the Living Wage Foundation.

The findings in each of these areas are presented after consultation with the Living Wage Foundation, Economic Development, Communications team, Comptrollers, Finance, Audit and Human Resources as well as Members that have expressed an interest in the policy. There are recommendations to enhance our commitments beyond the Living Wage accreditation requirements which we already meet.

### **Recommendations**

Members of **Policy and Resources** are asked to:

1. Agree to enhance our commitment through the mandating of payment of the Living Wage to all contracted supplier staff delivering two hours or more work for the City Corporation.
2. Give the go ahead to commence discussions with the Living Wage Foundation on the Corporation being an early adopter of their 'in-development' enhanced accreditation standard.
3. Decide which option the Corporation should take with regards the backdating of Living Wage payments from:
  - a. Continue to uplift Living Wage payments at 1<sup>st</sup> April each year in line with our existing policy and the Living Wage Foundation license.

OR

- b. Approve a change to our existing policy and mandate the back dating of the payments of Living Wage to affected staff to the date of the announcement each year (*typically November*) from Financial year 2019/2020 onwards:
  - i. For our own staff and apprentices with £150k additional costs per annum.

- ii. For both our own staff and suppliers' staff with £400k additional costs per annum (*£250k suppliers, £150k direct staff*).
  4. If Policy and Resources approves resolution 3b in part or whole, then the Committee must decide how to deliver the backdating of Living Wage payments from the options below:
    - a. At the start of each new financial year, provide a back payment of Living Wage to the staff and suppliers in lieu of monies owed for an uplift effective from the date of the annual announcement.
- OR
- b. Immediately uplift payments effective the first month after the annual announcement (December).
  5. Agree that an annual paper is received to the Committee on the impact, progress and outcomes achieved by this enhanced policy.

Members of **Establishment** Committee are asked to:

- Note the report.

Members of **Procurement Sub** Committee are asked to:

- Note the report.

Members of **Finance** Committee are asked to:

- Note the report.

## **Main Report**

### **Background**

1. In October 2014, the Finance and Policy and Resources Committees agreed that the City of London Corporation should become an accredited member of the Living Wage Foundation and commit to a phased implementation of paying all contracted supplier staff the Living Wage and London Living Wage where appropriate. This built on the decision at Court of Common Council in July 2012 to pay all direct and temporary staff the Living Wage as part of our pay and rewards policy.
2. At the same Committees in May 2015, this commitment was further strengthened with a decision to mandate the payment of Living Wage and London Living Wage to all existing and new external service providers in line with the Living Wage Foundation licence with immediate effect, making it a pass/fail criterion in our procurement selection procedures for all new contracts in line with the Living Wage Foundation's accreditation criteria.
3. The accreditation covers three main strands of committed support:
  - i) Commitment to pay our own staff and apprentices in line with the London Living Wage.

- ii) Commitment to pay suppliers' staff in line with the Living Wage Foundation accreditation terms and conditions.
- iii) Promote the adoption of the Living Wage accreditation by City Businesses.

### **Current Position**

4. Since April 2016, the City Corporation has been compliant with the requirements of the Living Wage Foundation's accreditation and has contractual terms with all suppliers covered under the LWF Licence to pay the Living Wage salary levels including annual uplifts.
5. We have a well-established and strong working relationship with the Living Wage Foundation as an early adopter of the standard and this has been illustrated by the Living Wage Awards being held at Guildhall earlier this year and the Barbican Centre being the location for the live announcement of the new rate this coming November.
6. The only area that the Corporation has not yet been able to shift fully to be compliant is a small number of supported living contracts managed by the Department of Community & Children's Services (DCCS). This is because the selection of care home is an individual carer's choice and the City Corporation can only promote Living Wage Facilities with no powers to mandate it.

### **Recent Event**

7. A recent incident showed there were still occasions when low value contracts involving non-corporate contractors/suppliers can be hired for below London Living Wage levels without City Procurement, departments or Members being aware. This risk is specific to the existing Living Wage terms of only applying to contracts where suppliers employ contracted staff who work two or more hours in any given day in the week for eight or more consecutive weeks in a year on behalf of the City of London Corporation.
8. Incidents such as this do have a reputational risk to the City Corporation, despite our adherence to the terms of the Living Wage accreditation, which could lead to negative coverage in future if similar instances arise.

### **Review of Living Wage Accreditation**

9. The Chairman of Policy and Resources Committee and the Chamberlain commissioned the Commercial Director to review the existing terms and consider a range of enhancements that would strengthen the City Corporation's already strong commitment to the Living Wage, meet Member expectations and mitigate any potential reputational risks.
10. The Commercial Director has consulted in recent months with the Living Wage Foundation, Economic Development, Communications team, Comptrollers, Finance, Audit and Human Resources as well as with the Member who alerted us to the recent incident.

11. The existing Living Wage Foundation terms were developed with early adopters of the Living Wage and labelled as a practical level of intervention that was negotiated across industries. The aim of the Foundation is to ensure all 'regular workers' receive the wage, but the terms were put in place as firms could not control certain workers such as vending machine stockers, couriers, leaflet droppers and other transactional workers that are called upon for one-off pieces of work.
12. The following measures have been considered as part of this review, with commentary on the findings and recommendations as follows:
  - i. **An enhanced commitment to current Live Wage policy** – Strengthen our policy by paying Living Wage rates for any person contracted to deliver two hours or more work for the Corporation in any contract.
    - **Findings** – The Living Wage Foundation confirmed they are currently developing an enhanced Accreditation level and would welcome the Corporation working with them as an early adopter. This would also ensure we are not at risk of another situation arising like the recent case.
    - **Recommendation**

The City Corporation approves the enhancement to our Living Wage Policy by making the Living Wage applicable to all contracted supplier staff delivering two or more hours work.
  - ii. **Potential for an advanced Live Wage Accreditation being obtained** - Explore the City Corporation being the forerunner of a Living Wage Plus (or Gold standard accreditation).
    - **Findings** – The Living Wage Foundation are currently developing additional accreditation levels and are at present exploring 'place' based accreditations for Towns, Cities or Regions as well as an enhanced level for existing accreditation holders. They are positive about working with the City Corporation to be an early adopter for an enhanced standard.
    - **Recommendation**

explore with the Living Wage Foundation the City Corporation being an early adopter of their 'in-development' enhanced accreditation standard.
  - iii. **Backdating Living Wage payments** - Explore budgetary and operational implications regarding the potential to backdate Living Wage Payments to supplier employees and staff to when the new rate is announced in November each year. Currently affected staff get their salary uplifted on 1st April each year in line with the guidance on Living Wage accreditation, but not backdated. This also allows for the increase announced in November to be built into budget plans for the subsequent year.
    - **Findings** – The current policy of applying the increase announced in the autumn from the following April is consistent with the LWF guidance that "*the uplift should happen within six months of the annual announcement*". Bringing forward the payment to the announcement date (either at that point or through a back payment) would

nonetheless benefit recipients of the Living Wage. But in considering this proposal, Members should be aware that the City Corporation would not as a rule backdate payments or provide additional in-year budget resources in this way. The full year impact would be of the order of £400k. And it would in practice be difficult to establish that relevant suppliers passed on the increase to their staff at the appropriate point and there would be a reliance on contracted suppliers being willing to negotiate and vary such new terms into existing contracts.

Finally, any decision to backdate supplier payments would clearly need to be reflected in payments to our own staff. This would mainly affect, apprentices and staff engaged as casuals. The Living Wage is announced in November each year, without forewarning to employers of what the new rates will be. The advice provided to employers by the Foundation with regard to the implementation of new rates when they are announced (to the effect that the new rates should be paid to all employees by 1 May the following year, or some six months after their announcement) therefore reflects the way the National Minimum Wage (NMW) is managed by the Government. While the new NMW rates are effective from 1 April each year, they are announced some months in advance of this, which allows employers to build provision for them into their budgets. For Living Wage employers, this may be of some importance, as the Living Wage has in recent years increased in excess of inflation or wage increases, and the rate of increase has in itself been steadily increasing - in 2015 the London Living Wage increased by 2.73%, in 2016 by 3.72% and in 2017 by 4.62%. It is not expected that these rates of increase will diminish in the near future.

Given that there is no forewarning of the rate of increase of the Living Wage each year, it would be impossible to give a precise figure for costs to the City of London which would arise from any decision to backdate increases in Living Wage payments to the date of announcement of the new Living Wage, but in 2017/18 implementation of the new rates with effect from 1 November would have added approximately £150k (*this has been considered as part of the projected £400k p.a. costs*) to the direct staff pay bill, of which much the largest part would have been incurred in the casual payroll.

**Recommendation** – for Members to decide if the Corporation policy should be revised with regards implementation date of the living wage payments.

- iv. **Auditing Compliance for Low Value Contracts** - Explore the implications of introducing an annual audit on a sample of the low value contracts to ensure the Living Wage payments have been paid actual employees, this was felt as the most appropriate intervention to support compliance and we agreed it was impractical to govern all small contracts from the corporate centre.

- **Findings** – Given the potential introduction of an enhanced level of Living Wage, low value contracts (below £10k in value) would need to include a commitment to pay supplier staff. This would create a risk on ensuring compliance as such procurements are not managed by City Procurement. The introduction of a regular audit to spot check 20% of the transactions of such a nature would be a proportionate intervention to support this initiative.
  - **Recommendation** – To introduce an audit of low value contracts below £10k to ensure compliance with the proposed revised Living Wage policy after twelve months and thereafter as a regular part of the Corporate audit cycle. This will help to ensure staff involved receive the commensurate salary.
- v. **Funding and Promotion of the Living Wage** – Consider sponsorship of the Living Wage Foundation or support them via other channels within the City Corporation i.e. Economic Development.
- **Findings** – The Living Wage Foundation has several initiatives that City Bridge Trust, Economic Development and Chamberlain’s are already partnering on. The City Bridge Trust is a Living Wage Friendly Funder and a Living Wage Friendly Funder Champion amongst its prospective and existing grantees. A member of the City Bridge Trust team sits on the National Steering Committee of Living Wage Friendly Funders, and regularly champions the benefits to external organisations.

Although it is not a requirement of the Living Wage Foundation accreditation, the City of London pays all its Interns, work experience placements over two weeks and Apprentices the London Living Wage as a minimum. This was recognised as an outstanding contribution in an independent responsible business review undertaken 2017.

The Economic Development Office has a strong portfolio of responsible business support for financial and professional services. As part of this work, the department is currently scoping the possibility of running a campaign to demonstrate the commercial and societal benefits of paying the London Living Wage with a proposal coming to Members later in the year. This would support the Living Wage Foundation to target a key sector and would improve the lives of those within the sector’s reach. Finally, the Chamberlain’s Department recently sponsored and hosted the Live Wage Champion Awards at Guildhall on the 6 June 2018.

- **Recommendation** – No further additional intervention required as relevant departments such as City Bridge Trust, Chamberlain’s, Human Resources and Economic Development consider Living Wage as part of their annual business planning and regularly promote and sponsor Living Wage initiatives at present.

#### **Additional risk reviewed**

13. The Commercial Director also reviewed potential current risks around third-party users of the Corporation’s assets that are not directly contracted via City

Procurement i.e. the banqueting list of contractors. Living Wage compliance is in fact part of their agreed terms in offering services within our assets when contracted externally. Monitoring of this compliance is managed directly by the lead department.

### **Corporate and Strategic Implications**

14. The proposed recommendations are aligned to the Corporate Plan theme of Supporting a Thriving Community, they deliver against the targeted outcome of *'Businesses are trusted and socially and environmentally responsible'*. Living Wage is a component part of the Corporation's Responsible Procurement Strategy and is consistent with the aims of the emerging Responsible Business Strategy.

### **Conclusion**

15. The City Corporation has been committed as an accredited member of the Living Wage Foundation since 2012 and from 2016 have been fully compliant in line with the license for direct staff, temporary workers, contractors and supplier staff. This report considers a range of opportunities to build on this already strong commitment, as part of the City Corporation's wider commitment to its Responsible Business Strategy.

### **Background Papers**

- *Living Wage – Funding and Amendments to Procurement Policy – Policy and Resources and Finance Committees, May 15.*
- *Living Wage Employer Accreditation Licence – Policy and Resources Committee, October 14.*
- *London Living Wage – Policy and Resources, Establishment and Finance Committees, July 2012*

### **Report Author**

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