

---

**LIVING WAGE - CONTRACTORS**

Relevant Portfolio Holder	Roger Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering ( Exec Director)
Wards Affected	<b>All</b>
Ward Councillor Consulted	None specific

**1. SUMMARY OF PROPOSALS**

- 1.1 Following a request for further information at the meeting of 22<sup>nd</sup> April 2013, this report enables Members to consider the challenges and impact of ensuring the living wage is paid by contractors of the Council.

**2. RECOMMENDATIONS**

- 2.1 **Members are requested to consider information provided and to decide on the opportunity to encourage all contractors to pay the living wage to their employees.**

**3. KEY ISSUES**

**Financial Implications**

- 3.1 It is estimated that there would be an additional cost to a number of contracts where contractors pay their staff a lower amount than the Living Wage. This is difficult to currently quantify as the tender documents require contractors to include a total cost as opposed to rates paid to individual staff members. Should members be minded to request contractors to pay the Living Wage, contractors will be asked to show the cost associated with this separately in the contract documents.
- 3.2 There would also be costs associated with the monitoring of the contractors by the procurement team to ensure that, as far as is practicable, the contractors are complying by paying the Living Wage. It is estimated that the resource required would cost £13k pa.

**Legal Implications**

- 3.3 There are a number of significant legal implications to the Council should contracts be awarded on an unfair basis or without compliance and due regards for the EU Procurement regulations. The procurement team would have to assess each contract to ensure the Living Wage criteria is met and to address all implications of EU regulations.

**Service / Operational Implications**

- 3.4 Following a report in April 2013, members asked for further information and clarification in relation to ensuring contractors pay their staff the Living Wage. Officers have further researched the issue and have made the following points for members consideration;
- The Council could stipulate that all temporary staff be paid the Living Wage as we control the rates via Matrix and they could provide us with evidence of compliance with same on a monthly basis
  - In respect of the Councils Contractors and suppliers employees we could get a form of agreement drawn up and signed by the Contractors/Suppliers wherein they commit to paying the Living Wage to their employees engaged on Council contracts.
  - The payment of Living Wage will only apply to employees directly employed on Council Contracts therefore there is the potential for a two tier pay system at Contractors/Suppliers with its attendant problems. It would be difficult to enforce Contractor/Supplier compliance with such an agreement on payment of the Living Wage without some form of audit mechanism or pay monitoring, which could be difficult with employees not wishing to reveal information about their pay to the Council.
  - If a Contractor/Supplier refuses to sign any such agreement on payment of the Living Wage we cannot either legally terminate existing contractual arrangements or refuse to allow them to bid for contracts or business in general as this would be seen (notably under EU law for contracts over the relevant threshold) as discriminatory/unfair
  - It would be sensible to apply the Living Wage to new contracts only as this would remove some of the potential difficulties identified when trying to enforce the Living Wage retrospectively on existing contracts.
  - When negotiating new contracts we would have to assess case-by-case whether it's in the Council's best interest to require the Living Wage on a contractual basis. One key factor is the law as again notably we must be careful not to breach EU procurement rules, and this must be carefully considered in each case.

- Once we are satisfied that our contractors pay the Living Wage we need to continue to monitor compliance, especially to make sure that wages are raised in line with the Annual Uplift each year.
- The Procurement Policy would have to be revised to ensure Living Wage is paid on new contracts
- The officers would review the current contracts to establish which (if any) fit the Living Wage criteria

**Customer / Equalities and Diversity Implications**

3.5 In encouraging contractors to pay the Living Wage this would provide a fairness to all staff for the Council.

**4. RISK MANAGEMENT**

4.1 The procurement team would have to manage and monitor the compliance of payment and this would be done with regular dialogue with contractors and their staff.

**AUTHOR OF REPORT**

Name: Jayne Pickering – Exec Director Finance and Resources  
E Mail: [j.pickering@bromsgroveandredditch.gov.uk](mailto:j.pickering@bromsgroveandredditch.gov.uk)  
Tel: 01527-881400