

Report of	Meeting	Date
Director (Customer Digital) Introduced by the Executive Member (Resources))	Executive Member Decision	17 November 2021

Waste Contract Real Living Wage

Purpose of Report

- To seek approval of the agreement with the Council's waste collection contractor to pay their staff the Real Living Wage, and a retention bonus payment for HGV drivers.

Recommendation(s)

- That the Council agree to amend the contract for waste collection services to enable employees of the contractor to be paid the Real Living Wage as a minimum, the uplift in cost being met by the council.
- That the Council agree to pay a one-off retention bonus payment to HGV drivers at FCC.

Executive Summary of Report

- FCC loaders are currently paid the National Living Wage of £8.91. An increase to the Real Living Wage, currently £9.50 is proposed, the cost to be met by the Council. This would be in line with the council's pay policy commitments, and the recommendation of the Real Living Wage Foundation. The additional cost of £33.8k has been agreed by FCC.
- There is currently a well-documented national driver shortage. Payment of a retention bonus of £500 to FCC drivers is proposed to help alleviate the situation.
- FCC have recently increased the hourly rate to their drivers at their own expense.

Confidential report Please bold as appropriate	Yes	No
--	-----	-----------

Key Decision? Please bold as appropriate	Yes	No
--	-----	-----------

Reasons for Recommendation(s)

- The Council have committed as part of our pay policy to pay as a minimum the real living wage to employees. Since the awarding of this contract, guidance has been issued by the European Court that suggests all contractors who deliver public contracts should pay the living wage and where proportionate and relevant and where it will not discriminate against small businesses the real living wage.

Alternative Options Considered and Rejected

8. Not to amend the contract. This is not considered appropriate as it is at odds with the Council's pay policy and corporate priorities.

Corporate Priorities

9. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	✓
Clean, safe and healthy homes and communities		An ambitious council that does more to meet the needs of residents and the local area	✓

Background

- FCC loaders are all paid as a minimum the National Living Wage. The hourly rates of pay for 2021-22, irrespective of age, are:
 - FCC Chorley loaders (40 hours per week) **£8.91**
- The Real Living Wage is recommended by the Living Wage Foundation as the wage rate based on what people need to live on based upon independent calculations. The Living Wage Foundation encourages all employers that can afford to do so to ensure their employees earn a wage that meets the costs of living, not just the Government minimum (NLW).
- The Real Living Wage hourly rate is currently **£9.50**. The increase in hourly rate of pay would be **£0.59**.
- Payment of the Real Living Wage would apply to all front-line operational staff who are currently paid the National Living Wage i.e. all loaders and all agency staff who are employed as loaders. Drivers, supervisors, administrators and management are on different, higher rates of pay as set by FCC.
- If we agree to pay the Real Living Wage to all FCC loaders, as a permanent measure by formal contract variation, the additional annual contractual costs are indicated in the table below

	Number of Loaders	Loader hourly pay rate	Weekly hours	Annual hours	Current annual pay	RLW annual pay	Increase	Total increase in annual costs
Chorley	30	8.91	40	2080	£18,532.80	£19,760.00	+£1,227.20	£36,816.00

6. The annual contract uplift in line with the Real Living Wage, if agreed, will have to account for the increasing costs over the life of the contract. The current contract runs until 15 June 2029.

7. The Real Living Wage increase applies only to FCC staff who are currently paid the National Living Wage i.e. loaders.
8. Drivers, supervisors, administrators and management are on different, higher rates of pay as set by FCC. Any increases to their pay rates over and above the annual inflationary uplift would be incumbent upon FCC rather than the Council.
9. In response to the national driver shortages, FCC recently increased the hourly pay rate for their HGV drivers from £10.56 to £12.00 per hour, at their expense. It is understood that this change, together with the proposed HGV driver bonus payment proposal from the Council, has alleviated the previous concerns raised by FCC management about maintaining the pay differential between loaders and drivers.
10. FCC therefore no longer wish to apply a condition to the Real Living Wage proposal that would demand a corresponding increase in pay for their drivers.
11. In addition to the Real Living Wage pay increase, member approval is also sought for the payment of a retention bonus to all HGV drivers at FCC. These payments are intended as a temporary measure to retain existing and attract new drivers.
12. Similar bonus payments are being offered by organisations across the waste, haulage and logistics industries as demand and competition for qualified drivers has significantly increased.
13. A bonus payment of £500 will be paid to all eligible drivers for the period ending December, and another payment of £500 for the period ending March 2022. Payments will be conditional on drivers remaining with FCC, with good attendance and performance.
14. The one-off costs to the Council are £15,000 based on 15 drivers.

Climate Change and Air Quality

15. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

Equality and Diversity

16. There are no implications.

Risks

17. There is a key financial risk of committing to pay the Real Living Wage which is expected to increase annually but the future annual uplift is unknown.
18. Due to the difficulty in retaining staff there is a risk to service continuity if the bonus payment is not offered.

Implications of Report

19. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	√	Customer Services	
Human Resources		Equality and Diversity	

Legal	✓	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

Comments of the Statutory Finance Officer

20. The additional cost in 21/22 will be £51k and will be included in the revenue monitoring report. The ongoing cost will be included in the budget for 22/23 alongside other inflationary uplifts for the contract.

Comments of the Monitoring Officer

21. It is entirely at the discretion of the council whether to make these additional commitments, they will not undermine the procurement exercise as the contract bids were compared like for like to establish best value.

22. Given the Council's commitment to pay the Real Living Wage and the stated risk to service delivery should the bonus payments not be offered, given better terms and conditions at other employers at the moment, it is reasonable to make these changes to the contract.

Asim Khan
Director of Customer and Digital

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Asim Khan	5448	28 October 2021	***

Following careful consideration and assessment of the contents of this report, I approve the recommendation(s) contained in Paragraphs 2 and 3 of the report in accordance with my delegated power to make executive decisions.



Dated 17.11.21

**Councillor Peter Wilson
Executive Member (Resources)**