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<b>Report To:</b>	<b>Policy and Resources Committee</b>	<b>Date:</b>	<b>19 November 2024</b>
<b>Report By:</b>	<b>Head of OD, Policy &amp; Communications and Director Environment and Regeneration</b>	<b>Report No:</b>	<b>PR/41/24/SJ/MR</b>
<b>Contact Officer:</b>	<b>Morna Rae</b>	<b>Contact No:</b>	<b>01475 712924</b>
<b>Subject:</b>	<b>Fair Work First and the Real Living Wage</b>		

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## **1.0 PURPOSE AND SUMMARY**

1.1  For Decision  For Information/Noting

1.2 The purpose of this report is to provide an update on the impact on Fair Work First (FWF) grant conditionality implemented by the Scottish Government. It also makes proposals for the increase in Modern Apprentice pay to the real Living Wage (rLW) rate from 1 April 2025, and early implementation of the increased rate for Grade 1 employees.

1.3 Fair Work First is a Scottish Government policy for driving high quality and fair work, and workforce diversity across the labour market in Scotland by applying fair work criteria to grants, other funding and public contracts being awarded by and across the public sector, where it is relevant to do so. The default position is that all grant recipients awarded a public sector grant on or after 1 July 2023 are required as a minimum to pay at least the rLW from day one to all UK-based staff aged 16 and over, including apprentices. Officers obtained an exception agreement from the Scottish Government in 2024-25 in relation to the rLW.

1.4 The rLW wage is increased on an annual basis, with a 6 months implementation timescale. Inverclyde Council has previously implemented the new rate early and this report seeks approval to award the latest increase from January 2025 for Grade 1 employees.

## **2.0 RECOMMENDATIONS**

2.1 It is recommended the Policy and Resources Committee:

1. agree an increase in Modern Apprentice pay to the rLW from 1 April 2025;
2. note that the number of Modern Apprentices employed beyond the current cohort will require to be reviewed in line with the budget requirements;
3. note that where Inverclyde Council administers funding on behalf of the Scottish Government and other national organisations the Fair Work First criteria may also apply, and
4. agrees that the 2024 annual increase in the rLW will be implemented early, from January 2025.

**Morna Rae**  
Head of OD, Policy and Communications

**Stuart Jamieson**  
Director, Environment and Regeneration

## **3.0 BACKGROUND AND CONTEXT**

### **3.1 Fair Work First**

Fair Work First is a Scottish Government policy for driving high quality and fair work, and workforce diversity across the labour market in Scotland by applying fair work criteria to grants, other funding and public contracts being awarded by and across the public sector, where it is relevant to do so. The default position is that all grant recipients awarded a public sector grant on or after 1 July 2023 are required as a minimum to:

- pay at least the rLW from day one to all UK-based staff aged 16 and over, including apprentices, who are directly employed by the grant recipient. Any UK-based workers who are not directly employed but are directly engaged in delivering the grant-funded activity, whether they be subcontractors or agency staff must also be paid at least the real Living Wage, and
- provide appropriate channels for effective workers' voice such as trade union recognition, staff engagement mechanisms and employee forums.

Officers obtained an exception agreement from the Scottish Government in 2024-25 in relation to the rLW for Modern Apprentices and Trainee Educational Psychologists.

### **3.2 Real Living Wage**

Accredited Living Wage employers, such as Inverclyde Council, are expected to pay the rLW to employees aged 18 and over. Living Wage accreditation is voluntary and doesn't require employers to pay the Living Wage to volunteers or apprentices.

rLW Living Wage rates are calculated annually by the Resolution Foundation and overseen by the Living Wage Commission. The 2024-25 rate was announced on 23 October and is £12.60 per hour. Following the latest national pay award Grade 1 employees are paid £12.56 per hour.

Living Wage employers have up to 6 months in which to implement the new rates. In 2022 and 2023 Inverclyde Council paid the increased rates early. It is recommended that this approach is taken again this year in order to best support our lower graded employees. It is anticipated the costs for 2024-25 for early implementation from January 2025 is £2670. These costs would be contained with service budgets.

### **3.3 Modern Apprentices**

Modern Apprentices join Inverclyde Council on £10.62 per hour. After a year this increases to £11.06, or to the National Living Wage of £11.44 per hour if they are aged 21 or over.

While we currently hold an exemption for 2024-25 officer opinion is that the Scottish Government will not permit this to be extended. It would therefore follow that we would not meet the Fair Work First conditionality requirements unless wages were increased. This, in turn, would prohibit access to a range of key funding streams.

It is anticipated that the costs of increasing the wages of the 14 Modern Apprentices whose contracts extend beyond 31 March 2025 is £32,500 for 2025/26 based on an employers SA contribution of 6.5%. Some contracts extend beyond 31 March 2026 which will result in a further cost of £9,760 at the increased employers SA rate of 17.5%.

### **3.4 Educational Psychologists**

The rate of pay for Trainee Educational Psychologists is the National Minimum Wage. This is the funding amount we receive for payment via the Dundee University course. We only normally have placement for 1 trainee each year. This amount is agreed with Scottish Government, COSLA and the Association of Scottish Principal Educational Psychologists and is the same in all Councils. COSLA have advised Councils not to pay a supplement in order to meet Fair Work First conditionality. Our exemption from the Scottish Government currently covers Trainee Educational Psychologists as well as Modern Apprentices. We are not currently proposing a change in the Trainee Educational Psychologist rate of pay.

### 3.5 Impact on Contracted Organisations

Where Inverclyde Council administers funding on behalf of the Scottish Government and other national organisations the Fair Work First criteria may also apply. The imposition of the rLW on contracted organisations has been managed effectively to date. Grant support to businesses has been positively managed by eligibility of funding. Client who are paying the rLW have been supported through SG funds, those who are not have been supported through core funding.

## 4.0 PROPOSALS

4.1 It is recommended the Committee:

1. agree an increase in Modern Apprentice pay to the rLW from 1 April 2025,
2. note that the number of Modern Apprentices employed beyond the current cohort will require to be reviewed in line with the budget requirements,
3. note that where Inverclyde Council administers funding on behalf of the Scottish Government and other national organisations the Fair Work First criteria may also apply, and
4. agrees that 2024 annual increase in the rLW will be implemented early, from January 2025.

## 5.0 IMPLICATIONS

5.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

SUBJECT	YES	NO
Financial	X	
Legal/Risk	X	
Human Resources	X	
Strategic (Partnership Plan/Council Plan)	X	
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing	X	
Environmental & Sustainability		X
Data Protection		X

### 5.2 Finance

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments

Various	Employee Costs	2024/25	£2670		Services would contain costs within their overall employee budgets
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#### Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
Modern Apprentices	Employee Costs	2025/26	£42k		Full year cost of 14 MA's rate uplift to £12/hour (incl of 17.5% employers SA) £40k funded in 2025/26 budget exercise.

### 5.3 Legal/Risk

If the Fair Work First grant conditionality is not complied with there is a risk of not being able to access future grant funding or challenge in relation to eligibility for grants already paid.

### 5.4 Human Resources

The increased costs in employing Modern Apprentices will limit the number that Inverclyde Council will be able to employ.

### 5.5 Strategic

This report supports the delivery of the following outcomes in the Council Plan:

- Our employees are supported and developed

### 5.6 Equalities, Fairer Scotland Duty & Children/Young People

#### (a) Equalities

This report has been considered under the Corporate Equalities Impact Assessment (EqIA) process with the following outcome:

X	YES – Assessed as relevant and an EqIA is required.
	NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, assessed as not relevant and no EqIA is required. Provide any other relevant reasons why an EqIA is not necessary/screening statement.

#### (b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

X	YES – A written statement showing how this report's recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed.
	NO – Assessed as not relevant under the Fairer Scotland Duty for the following reasons: Provide reasons why the report has been assessed as not relevant.

(c) Children and Young People

Has a Children's Rights and Wellbeing Impact Assessment been carried out?

	YES – Assessed as relevant and a CRWIA is required.
X	NO – Assessed as not relevant as this report does not involve a new policy, function or strategy or recommends a substantive change to an existing policy, function or strategy which will have an impact on children's rights.

**6.0 CONSULTATION**

6.1 There has been consultation with other local authority areas.

**7.0 BACKGROUND PAPERS**

7.1 None.