

Cllr Geoff Taylor
Cabinet Member for Finance
Mayor's Office
Hackney Council
Town Hall
Mare Street
London
E8 1EA
020 8356 3211
geoff.taylor@hackney.gov.uk

Cllr Rick Muir
Chair of Governance & Resources Scrutiny
Commission
Hackney Town Hall
London
E8 1EA

22 April 2015

Dear Cllr Muir

London Living Wage

Further to my attendance at the Governance & Resources Scrutiny Commission meeting last year, thank you for your letter of 11 February 2015 regarding the Commission's short inquiry into Hackney's work on implementing the London Living Wage. I apologise for the delay in responding.

In your letter you set out five questions, which I have responded to in turn below.


- 1. Is the council aware of any employees of the council or of the council's contractors who have seen their hours reduced following the introduction of living wage and is this something that we can monitor in the future?*

No, the Council is not aware of this happening, although a few staff employed by the Council's office cleaning contractor raised a concern about this in 2013, which was fully investigated at the time.

Quite separately to the living wage policy, before tendering the new office cleaning contract the Council had undertaken a thorough review of the cleaning specification to ensure that it met the needs of the organisation and provided value for money. It was found that the previous schedule of a full daily clean for all administrative areas was not required and that environmental quality would be maintained by cleaning these areas on alternate days only. Kitchens, toilets and public spaces are still cleaned daily.

The new contract, under the revised specification, was secured by the incumbent supplier, Servest, and commenced on 1 July 2013. In a few cases the review resulted in increased hours for a particular site, but overall Servest determined that the specification changes resulted in an overall reduction in the required working hours. Their bid was priced accordingly and accepted on this basis.

Servest chose to implement the changes to its contract by a broad application of reduced hours for cleaning staff, rather than the alternative approach of reducing the total number of staff. However, the Council



did not expect the old specification to be delivered by Servest with less cleaning hours. Experience has demonstrated that the revised cleaning specification adopted in 2013 has been successful, with no noticeable impact on standards of cleanliness in Council buildings.

This misunderstanding was the subject of considerable work at the time. Servest undertook a thorough review of the ways in which shifts are allocated and staff recruited to the contract. The Council took particular care with the Building Security Contract which was let a few months afterwards to ensure that the changed specification was not conflated with achievement of the London Living Wage, and indeed these problems were avoided.

Staff levels are monitored for contracts where these are directly relevant to the quality of the service being provided (cleaning and security for example). However, they are not monitored where the relationship is not direct, because the Council must also make the best use of its own staff resources when managing contracts.

2. *Is it the Council's intention to encourage other employers in Hackney to pay the London Living Wage?*

If so what specific measures is the council considering to achieve this?

The Council has developed the Hackney Business Charter that was launched by the Mayor in March 2015, to encourage and support businesses in Hackney to adopt or aspire to a set of best practice principles that will help them invest and integrate into the local community, invest in their employees and deliver their services ethically and sustainably.

Employment is one of the three pillars of the Business Charter. Specifically, businesses signing up to the Charter are asked to adhere to the principle of Fair Pay and providing staff with career development opportunities, including initiatives such as Hackney 100 project which provides paid work experience for 16 and 17 year olds at the London Living Wage.

By the end of the 2015, the Council hopes to have signed up over 100 businesses who will demonstrate a solid commitment to the charter and it's principles around community, environment and employment. The Council will target local businesses through the Hackney Business Network, through our existing Ways into Work and Hackney 100 business clients and connections via our Town Centre Managers.

Working with the early businesses signatories as champions, a press and social media campaign will also be developed to proactively encourage further uptake and demonstrate the benefits Hackney has received through these partnerships.

3. *What is the Council doing more widely to promote progressive employment practices in the borough?*



In addition to the LEW, Council contracts encourage and require where appropriate local recruitment, especially utilising the Council's Ways into Work service, and the provision of training and apprenticeships. We are a signatory to the London Council's Apprenticeship Pledge.

In relation to the Council's cleaning contract with Servest, 75 of the 132 employees (57%) are employed locally. Other contracts also employ a significant number of local residents, although not as high as Servest (e.g. the Council's security contracts with CIS and G4S employ 21% and 27% local staff respectively). The proportion will depend largely on the nature and flexibility of the work; as the work on the Servest contract is overwhelmingly part-time it makes local working much more attractive since travel costs and commuting time is more significantly reduced as a proportion of earnings per shift.

Our contracts for services do not generally prescribe how out contractors should organise their staff, to do this would lose the benefit of the expertise that external contractors can bring with them. However we do discourage the use the use zero hours contracts and require that where they are genuinely required they are not exploitative e.g. they are not exclusive (so staff can take other work too) and they are not used where there is an obvious pattern of regular employment.

The Hackney Business Charter has a focus via the 'Community' pillar on encouraging businesses to make a commitment to employing local people and actively supporting the local community. One example of how this commitment could be demonstrated is through developing a procurement policy that creates job and apprenticeship opportunities for local people, and gives weight to the use of local suppliers to source products and services.

4. *Does the Council or its subcontractors use zero hours contracts? What are we doing to phase these out and discourage their use more widely?*

The Council does not directly employ anyone on exploitative zero hour contracts, and has a clear policy and guidance in place against their use. The Council's policy makes clear that the Council will only use zero hours contracts in exceptional circumstances and where their use is wholly justified by the specific demands and nature of the required work. Furthermore, zero hours contracts may only be used where a regular and consistent level of work cannot be guaranteed and where there is a need for a specific individual to undertake - and commit to undertaking - the available work. Where work requirements become regular and consistent over a sustained period, managers must reconsider the contractual terms and where possible offer permanent or part-time contracts or annualised hours.

Council zero hours contracts may not specify that the employee cannot work for another employer when not undertaking work for the Council (although individuals may be required to disclose interests or other work), and managers intending to use a zero hours contract must have the express permission of the relevant Assistant Director before offering the contract.



The Council currently has twelve directly employed zero hour contracts. Seven of these are within the Registrar Service, to provide additional staffing mainly at weekends for marriages and civil partnerships. The demand for this service depends on how many marriages and civil partnerships are booked.

In relation to the Council's contractors, as stated in response to question three above, the Council requires that any zero hours contracts that are in place are not exploitative. As with the Council, zero hour contracts are rarely used by our contractors and, for example, they are not used in our cleaning and security contracts, which are often areas of work where such contracts are common.

5. *Are we able to consider whether more of the council's pension fund could be invested locally?*

The Council's ability to invest more of the Council's pension fund locally is restricted by its legal and fiduciary responsibilities. Both the Law Commission and Leading Counsel have recently considered the position of pension funds and their fiduciary responsibilities, with the latter a direct question in respect of Local Government Pension Schemes, namely that funds have a duty to use investment power for the purpose of producing returns to pay benefit, although they are not simply to maximise returns at the expense of other considerations. Instead the aim of investment strategy should be to secure the best realistic return over the long-term, given the need to control risks. The Council as the Administering Authority of the Pension Fund has fiduciary duties to both scheme employers (the Fund has a range of employers not just the Council that participate in the Fund) and to scheme members. The power of that investment must be exercised for investment purposes and not for any wider purposes. Investment decisions must therefore be directed towards achieving a wide variety of suitable investments and to what is best for the financial position of the fund (balancing risk and return in the normal way). Indeed, to quote QC opinion:

"it would be impermissible, for example, for the administering authority to invest fund monies in the local football club, because it was thought important to the area to keep the club afloat, in circumstances in which that was not likely to be a good or prudent investment (as compared to other investments that might be made). Similarly, it would not be permissible to invest in social housing just because there was a need for more such housing, if that was not a good or prudent investment."

The QC does go on to say that "the administering authority can in principle have regard to wider considerations where that does not run the risk of material financial detriment to the fund", which means that in theory the fund can invest in local social housing projects but not if the only reason for the investment is because it is local. In brief, this means that the Pension Fund is there to invest monies in order to pay the pensions of those that have been promised benefits whether those be people who have worked for the Council or for other employers in the Fund. The fund is not there to invest in local projects, although it is able to consider local projects but only where the appropriate returns within specific risk parameters could be achieved, and provided that the reason for that investment isn't simply because it is local and the Council wants to fund local projects. The Pensions Committee which has delegated powers to manage the Fund is also required under legislation to take appropriate



financial advice when making investments and to consider those investments as part of a broader investment strategy and to take into consideration the diversification of its investments.

I trust that this response is helpful and provides reassurance on how the Council is addressing these matters. However, should you require any further information please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Geoff Taylor'.

Cllr Geoff Taylor
Cabinet Member for Finance

