

Report for: Staffing and Remuneration Committee

Item number: 13

Title: Change to Apprenticeship Programme Pay Rates

Report

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Lead Officer: Lorraine Smith – OD Consultant HR

Ward(s) affected:

Report for Key/ Non Key

Non Key Decision:

1. Describe the issue under consideration

1.1. A mid-point review of the Apprenticeship programme, implemented in 2015, in the light of Central Government's decisions on:

- the National Living Wage
- the implementation from 6th April 2017 of the Apprenticeship Levy

1.2. At its meeting on 26th January 2015, the Committee resolved:

That approval be given to the level of wage to Apprentices being paid as set out in Option 1 of the report but with an amendment to this option to allow for Apprentices to be at the London Living Wage after month 6 of the apprenticeship

(Option 1 was the payment of Apprentices in year 1 at National Minimum wage, then in year 2 at London Living Wage)

2. Cabinet Member Introduction

Not applicable for the Staffing and Remuneration Committee

3. Recommendations

3.1. The Committee is asked to:

3.1.1. Approve the introduction of the National Living Wage at £7.20 per hour from 1st April 2016 as the starting salary for all Council Apprentices whose apprenticeship with the Council starts on or after 1st April 2016, and as the salary for all other Council apprentices in the first six months of their apprenticeship.

3.1.2. Approve the London Living Wage at £9.40 per hour as the salary for all Council Apprentices (whenever their apprenticeship with the Council started) from the start of the seventh month of their Apprenticeship, subject to the successful completion of their probationary period.

- 3.1.3 Note that a full review of the Apprenticeship programme will be undertaken after the first cohort of Apprenticeships is completed in May 2016 Agree that a further report be presented to this Committee in September 2016 based on:
- Findings of that review, and officers’ recommendations
 - The outcome of the Department for Business Innovation & Skills ‘consultation on Apprenticeship Targets for Public Sector Bodies (ending 4th March 2016)

4. Reason for decision

4.1. National Living Wage

4.1.1. In January 2015 the Committee agreed that apprentices would be paid at the National Minimum Wage of £6.50 per hour for the first six months of their apprenticeship, then at the London Living Wage of £9.15 per hour for the remainder of their apprenticeship, irrespective of the age of the individual apprentice. The London Living Wage went up to £9.40 in November 2015. This decision has been implemented for all those recruited through this scheme to date. In the Chancellor’s Autumn Statement 2015, a new National Living Wage was announced, which will become law from 1st April 2016. The rate is set at £7.20 per hour. Although this rate will only apply to those aged 25 or over, it is recommended that the Council adopts this rate irrespective of the age of the individual apprentice, as has been done for the National Minimum Wage. This would mean an increase of £15 per week for an apprentice on a 30hr per week contract.

4.1.2. There are currently nine apprentices in post on this scheme who have not yet reached their six month milestone, and would therefore be affected by this change. The cost of an apprentice is met by the business area employing them; each of the nine business areas concerned in this case have been asked to confirm that they have sufficient budget to cover the increase. The increase is a maximum of £360 for an individual apprentice due to take up post; for those apprentices already in post, the cost ranges from £60 to £105 (depending on the individual’s start date).

4.2. Any future apprenticeship would cost the Council £216 per week for the first 26 weeks, and £282 per week for the remainder of the apprenticeship. The length of the remainder of the apprenticeship varies from six to nine months depending on the subject area. This would give the apprentice a total salary of £13,080 for an apprenticeship of 12 months’ duration

4.3. Review of the scheme

4.3.1. A six month review was carried out in January 2016 which will inform some process changes to ensure smooth running in future. For example, the recruitment checks for references are not always appropriate for school leavers. A comprehensive review will begin in June 2016 with a report to be presented to this Committee in September 2016.

5. Alternative options considered

5.1 To pay apprentices according to age. However, adopting differential pay rates (other than in strict accordance with the National Minimum Wage Regulations) could open the Council to challenge on equal pay and age discrimination legislation and

is therefore dismissed as a viable option. Payment in strict accordance with the National Minimum Wage Regulations would involve paying apprentices aged 16 to 18, or aged 19 to 24 in the first year of the apprenticeship, as little as £3.30 an hour.

6. Background information

- 6.1 The Committee agreed a number of entry level schemes in January 2015. These schemes included the Apprenticeship programme, which aims to recruit 20 Apprentices across the Council each year, 2015-16 being the first year of operation. Officers undertook to review the programme after six months of operation and to report back findings to this Committee early in 2016.
- 6.2 Since then, Central Government has:
- a) published “English Apprenticeships: our 2020 Vision” which discusses the creation of three million apprenticeships nationally by the year 2020.
 - b) proposed apprenticeship targets for Public Sector employers , expected to take effect later in 2016, aimed at increasing the number of Apprentices on the payroll.
 - c) announced its intention to introduce from 6th April 2017 an Apprenticeship Levy for all large employers,
 - d) proposed funding for employers for the delivery of apprenticeship training, to offset the Levy

Consultation on these targets, the Levy and funding is currently underway, with further information and guidance to be published in the summer of 2016.

7. Contribution to strategic outcomes

- 7.1. The Apprenticeship Programme, as an entry level scheme, contributes to Priority 1 and 4 of the Council’s Corporate Plan.

8. Statutory Officers’ comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1. Chief Finance Officer

- 8.2. The scheme was scrutinised during the initial planning stage, and implications were reported in the January 2015 paper. The proposed salary changes would be applied across the scheme, benefitting the 9 current post holders and any apprentices appointed in the future. Each service area employing an apprentice will need to ensure that budget provision is made to cover the increase to current salary commitments, and discussions are underway with all the service areas concerned.

8.3. Assistant Director of Corporate Governance

The proposals to :-

- (a) pay all Council apprentices from 1st April 2016 the National Living Wages; and

(b) pay Council apprentices at the higher London Living Wage pay level from the start of the seventh month of their apprenticeship , assuming they have successfully completed their probationary period, are compliant with all relevant legislative requirements.

8.3 Equalities

The scheme was scrutinised during the initial planning stage, and implications were reported in the January 2015 paper. The proposed salary changes would be applied across the scheme, benefitting the 9 current post holders and any apprentices appointed in the future.

9. Use of Appendices

None

10. Local Government (Access to Information) Act 1985

Not applicable