

ITEM 6 Apprentice Pay Award for 2018/19

Report of the Chief Executive

Recommended:

That the apprentice rate of pay increases with effect from 1 April 2018 in accordance with the recommendation set out in paragraph 9.6 of the report.

SUMMARY:

- The report addresses apprentice pay for 2018/19 following the move away from the Hampshire Apprenticeship Partnership pay arrangements.
- The Apprentice Pay Award is considered separately to the pay award for other employees. A pay award of 2.5% for 2018/19 was agreed for all other employees at the meeting of this committee on the 20 June 2018.
- The Report recommends:
 - An increase to £6.00 per hour for Level 2 and Level 3 Apprentices in year 1 of their apprenticeship
 - An increase to £6.50 or the National Minimum Wage for their age (higher of the two) for Level 2 and Level 3 Apprentices in year 2 of their apprenticeship.
- This pay award will affect 3 current apprentices and the 9 apprenticeship vacancies we currently have.

1 Introduction

- 1.1 The Council is committed to employing apprentices and providing them with a good start to their employment career. Apprentices increase the diversity of the workforce and are a good opportunity to ‘grow our own’, particularly in hard to recruit areas.
- 1.2 Over the last few years, the Council has successfully recruited to a number of apprenticeships. These have been good appointments and many apprentices have secured ongoing employment with the Council.
- 1.3 In the last 12 months, however, the Council has experienced difficulty in recruiting and retaining apprentices with some posts remaining vacant. The Council is not alone in this difficulty with the apprentice market becoming increasingly competitive due to the introduction of public sector targets, the apprenticeship levy and the change to apprentice standards.
- 1.4 The public sector target is where public sector organisations with 250 employees or more need to employ on average at least 2.3% of their staff as new apprentice starts. This is over the period of 1 April 2017 to 31 March 2021 and includes existing staff starting apprenticeships (for example a

degree apprenticeship in digital IT solutions) as well as new recruits. For TVBC, the target equates to 12 new apprentice starts per year. The Council has regard to the target and balances the costs (both financial and in terms of management time) involved in employing apprentices. It balances the benefits of having apprentices against the need to meet the target.

- 1.5 The Apprentice Levy was introduced in April 2017 at 0.5% of the TVBC pay bill. For 2017/18, the amount paid to HMRC was £54,770. The levy is returned to the Council in the form of an online account that can be used to fund apprenticeships training. The levy fund is topped up by Government funds giving back £1.10 for apprenticeship training for every £1 contributed via the levy. The levy funds cannot be used to fund apprentices' salary.
- 1.6 Alongside these changes, new Apprenticeship standards have been introduced. These have been developed with employers focusing on the skills, knowledge and behaviours needed to be competent in their role. With the new standard, the length of apprenticeship training and therefore the employment costs of having apprentices has increased. The cost of providing the training element of the apprenticeship (met through levy funds) has also increased significantly.
- 1.7 Considering the recruitment and retention issues, work was undertaken with Heads of Services, apprentices (both current and past) and managers to explore the reasons behind this and what further could be done. An action plan has been put in place to make the recommended improvements. Feedback received included that pay was a barrier to attracting candidates. This was in terms of:-
 - the Council's offer compared to taking a job in a supermarket or a general role with another employer;
 - the Council's offer compared to other apprentice positions;
 - for apprentices working alongside colleagues in permanent roles the possible morale and retention issues caused by the disparity between the pay differential.
- 1.8 This report provides background to the Council apprentice pay and recommends an increase in the pay to address the issue.

2 Background to Apprentice Pay

- 2.1 Apprentice pay is treated separately from the main Council pay negotiations. The Council is a member of the Hampshire Apprentice Partnership (HAP) which has had a standard apprentice pay rate across all partners. All partners paid the standard rate for low level apprenticeships (Levels 2 or 3) in their first year of employment.
- 2.2 In their second year of employment, apprentices over 18 receive the National Minimum Wage (NMW) for their age (£5.90 - £7.83 per hour). Under 18s continue to receive the HAP rate as this is higher than the NMW for their age.

- 2.3 The current HAP rate of pay for apprentices in their first year of employment is £4.73 per hour. This compares to the National Minimum Wage (NMW) for apprentices at £3.70 per hour.
- 2.4 The HAP partners have recently indicated that these pay arrangements are proving restrictive and impacting on each partners ability to flex apprentice pay to reflect the market forces in their local areas. The HAP partners are therefore moving to a position of setting individual pay rate with effect from 1 April 2018.
- 2.5 This report considers the rate of apprentice pay at lower levels (Levels 2/3). Further work is being undertaken to make recommendations at a later GPC for higher level apprentice pay (for example degree apprenticeships).

3 Pay Awards

- 3.1 TVBC is not a party to the national pay bargaining arrangements for local government; its pay framework is based on locally agreed pay arrangements for all employees.
- 3.2 Recent pay awards to TVBC staff (other than apprentices) have been a 2.5% increase in each of the last 3 years.
- 3.3 The Council joined HAP on the 1 September 2017. In 2017/18 this resulted in apprentices receiving a 2.5% in line with other Council employees on 1 April 2017 to £4.59 per hour and a further increase when we joined HAP to £4.68 per hour on 1 September 2017. In 2017/18 HAP apprentice pay increased by 1% to £4.73 per hour.

4 Comparison to National Minimum Wage (NMW)

- 4.1 TVBC Apprentice pay compared to the NMW.

	Apprentice rate in Y1		Apprentice Rate in Y2			
	TVBC Apprentice Rate in Y1	NMW Apprentice Y1	TVBC & NMW 25 and over	TVBC & NMW 21 to 24	TVBC & NMW 18 to 20	TVBC & NMW Under 18
Hourly rate	£4.73	£3.70	£7.83	£7.38	£5.90	TVBC £4.73 NMW £4.20
Annual Salary	£9,125	£7,138	£15,106	£14,238	£11,382	£8,103

- 4.2 National Minimum Wage jobs may not include the element of gaining a qualification, however would pay more than the TVBC apprentice rate unless the individual was under 18. The majority of our recent apprentices have been 18 years or older when commencing their apprenticeship with the Council.

5 Benchmarking of Apprentice pay

- 5.1 Benchmarking of apprentice vacancies in the Andover and Romsey area has taken place. Reviewing vacancies advertised on Find an Apprenticeship and the Indeed websites during May 2018, many were advertised at the national minimum wage for apprentices at £3.70 per hour. These posts tended to be in traditionally lower paid entry positions, such as nurseries and retail.
- 5.2 There are some exceptions, for example IT posts where several employers are paying enhanced rates of £14k - £17k per annum. There was one customer service post at £13.5k per annum and one business administrator at £10.5k per annum.
- 5.3 In terms of other large apprentice employers in Andover:
- Be Wiser Insurance no longer have salary data on their website but previously were paying £12k per annum increasing to £18k per annum after 2 years subject to completion of qualifications.
 - Lloyds Banking have recently advertised administration and customer services apprenticeships paying between £15,930 - £17,700 per annum
 - Simply Health – are not currently advertising in Andover however, recently advertised for a Customer Service apprentice post in Winchester at £16k per annum.
- 5.4 For other local authorities within HAP who are making changes to their apprentice rate, Basingstoke and Deane Borough Council are seeking agreement to increase their rate to £6.08 per hour. Winchester City Council has moved to a model where apprentices will fill a permanent vacancy at their scale 3 and will receive 70% of the salary (£6.41 per hour) whilst undertaking the apprenticeship.
- 5.5 Considering other non-apprentice posts, local supermarkets are paying £7.70 - £8.50 per hour or potential applicants can find positions paying national minimum wage which for most of our potential applicants is higher than our apprentice starting salary.

6 Corporate Objectives and Priorities

- 6.1 The issues of being a high performing council, motivating and valuing staff and competitiveness in the market place relate directly to the Council's Vision *to be an organisation of excellence* committed to improving the quality of life of all the people of Test Valley. Inevitably, they must be balanced against the Council's duties to be prudent in its use of public funds.
- 6.2 Apprenticeships support the development of skills for the local economy, both for those apprentices who progress their careers in the public sector and for those who go on to progress careers in the private sector. Developing skills for the local economy is a key objective under the Corporate Objective of investing in a great place to work and do business.

7 Consultations/Communications

- 7.1 The matter has been the subject of consultation with Heads of Service and Portfolio Holders. Consultation has also taken place with the unions. They support a recommendation being made to this Committee to:

- An increase to £6 per hour during year 1 of an apprenticeship
- An increase to £6.50 or the NMW for their age (higher of the two) during year 2.

8 Information Relating to the Increase

- 8.1 There are 3 current apprentices who would benefit from any increase. Additionally, the Council has 9 apprentice vacancies and increasing the rate would increase the attractiveness of the Council's offer in recruiting to these vacancies.

9 Options and Option Appraisal

- 9.1 The first option relates to whether or not it is appropriate in the present circumstances to make a pay award for apprentices. The Hampshire Apprentice Partnership have agreed to local pay arrangements, so Members could decide to maintain the current apprenticeship rate of £4.73 for the coming year.
- 9.2 Given the difficulties in recruiting apprentices, coupled with the rate of pay being identified as one of the contributing factors and that all other staff will receive a 2.5% increase, this option is not recommended.
- 9.3 In the event that an award is made, the second option relates to the size and nature of any increase which is a matter for Members' judgement.
- 9.4 The options to increase the apprentice rate are set out below. In arriving at the suggested rates, consideration has been given to the National Minimum Wage, taking account of the feedback that the current rate of pay is a barrier to recruitment and retention and research into other pay in the market.

Hourly Rate	Annual Salary	Cost including NI / Pension contributions*	Additional Cost	Comment
£4.73	£9,125	£10,573		Current rate
£4.85	£9,331	£10,871	£298	2.5% increase – TVBC increase for other employees 2018/19
£4.92	£9,466	£11,044	£471	4% increase (2.5% 2018/19 increase agreed for all other staff plus 1.5% difference in HAP and TVBC pay award from 2017/18)
£6.00 (Year 1)	£11,544	£13,724	£3,151	Proposed rate recommended taking account of factors outlined in section 9.5
£6.50 (Year 2)	£12,506	£14,964	£4,391	

*Employer NI is £0 if apprentice is under 25

9.5 There are a number of other factors relevant in considering an increase which merit consideration:

- The Council wishes to remain competitive in the market for recruiting apprentices. This is in comparison to other large employers in the area as well as other local district Councils in terms of apprenticeships. The Council is also in competition with other local employers in terms of entry level vacancies, such as in retail.
- Attracting applicants and making successful appointments supports the Government policy to increase apprenticeships in the public sector. It also provides local residents with work experience and qualifications they can use in the wider local economy if the Council does not have suitable longer term vacancies.
- Apprentices are the lowest paid employees within the Council and under the HAP pay arrangements they did not received the same level of increase as other TVBC employees in 2017/18.
- Factors put forward from Unison as part of the overall TVBC pay claim have been previously considered by members. These include:-
 - Increases in the cost of living
 - Appropriate reward is needed to sustain morale
 - Potential to increase the likelihood of recruitment and retention problems
 - Increased vacancy rates across the economy make a competitive wage rate ever more crucial”
- Year 2 apprentices must be paid the National Minimum Wage for their age (rather than the apprentice rate). This means currently, for those age 18-25 their salary increases to between £5.90 and £7.83 per hour.

9.6 Taking the above factors into consideration a recommendation is being proposed to increase Apprentice Pay for Level 2 and Level 3 apprentices to £6.00 per hour in year 1 and a minimum of £6.50 or the NMW for their age whichever is the higher in year 2.

10 Resource Implications

10.1 There are 3 current apprentice employees affected by any increase agreed. The Council has 9 vacancies that it is currently out to recruiting on, to start in September. Assuming all posts are filled, the additional cost to these posts would be £23,500.

10.2 The total additional costs can be accommodated within the Council's approved budget.

11 Risk Management

11.1 A risk assessment has been completed in accordance with the Council's Risk management process and the existing risk controls in place mean that no significant risks (Red or Amber) have been identified.

12 Legal Implications

12.1 None

13 Equality Issues

13.1 An EQIA screening has been completed in accordance with the Council's EQIA methodology and no potential for unlawful discrimination and/or low level or minor negative impact have been identified, therefore a full EQIA has not been carried out.

14 Conclusion

14.1 The proposals contained in this report seek to balance prudent financial decision making with recognition of the value of recruiting and retaining good apprentices within the current market place.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	0		
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