

Report to: Personnel Committee



Date of Meeting 30th November 2021

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Exemption applied: None

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Apprentice Pay Policy

Report summary:

This report proposes changes to the Council's pay policy for newly recruited apprentices.

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

That the Personnel Committee recommend to Council that National Joint Council (NJC) rates are paid to newly recruited apprentices in accordance with the Council's standard pay and grading structure.

Reason for recommendation:

To ensure that the Council remains competitive in the local apprentice employment market, supporting recruitment and retention and achievement of the Council's Anti-Poverty and Economic Prosperity aims.

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Portfolio(s) (check which apply):

- Climate Action and Emergency Response
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Democracy, Transparency and Communications
- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities
- Tourism, Sports, Leisure and Culture

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information Workforce Priorities report presented to Personnel Committee on 2nd September 2021 ([Agenda for Personnel Committee on Thursday, 2nd September, 2021, 10.00 am - East Devon](#)).

Link to [Council Plan](#)

Priorities (check which apply)

- Better homes and communities for all
 - A greener East Devon
 - A resilient economy
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Report in full

1. Introduction

1.1. This paper proposes changes to the Council's current pay policy for newly recruited apprentices. It describes the current arrangements, why changes are proposed and the implications of the change.

2. Current Apprenticeship Arrangements

2.1. The Council has a long history of employing a small number of apprentices across a range of service areas including Streetscene, Finance (Revenues and Benefits & Income and Payments), Planning, Electoral Services, and Legal). The number of new recruit apprentices have reduced over the last 18 months due to the pandemic, with 6 recruited in 2018/19 compared to 0 in 2020/21. The average age of new recruit apprentices over the last five years is 24 (although apprenticeships are available to people regardless of age).

2.2. In 2017 the Government introduced a range of reforms to increase the number of apprenticeships across the economy, including:

- 2.2.1. The Apprenticeship Levy whereby employers with a pay bill in excess of £1.5m per annum automatically contribute 0.5% of their annual pay bill to the Levy account, which then funds apprentice training and assessment, but not salary. The Council's Levy contribution is c£50,000 per annum but as of 31st October 2021 only £13,856 has been spent so far this financial year. If the employer does not spend their Levy contribution within 24 months of it being placed in their account, it is transferred to a Government account.
- 2.2.2. A Public Sector Apprenticeship Duty and Target, requiring public sector employers to actively consider the use of apprenticeships as part of workforce planning and to work towards 2.3% of their workforce being apprentice starts. The Council's latest reported Target figure for 2020/21 is 0.41% and therefore below the Public Sector Target.
- 2.2.3. That apprenticeship training could be used for existing staff as well as new recruits. To date, since 1st April 2017, 9 existing staff within the Council have benefited from this.

- 2.2.4. A growing number of apprenticeship qualifications across a wide range of occupational areas, from entry level (Level 2 – GCSE equivalent) through to Master’s Degree level (Level 7).
- 2.3. To date, the Council’s pay policy for new recruit apprentices has been to pay National Minimum Wage (NMW) at the standard rate (currently between £4.62 and £8.91 per hour, depending on age), rather than the NMW apprentice rate (£4.30 per hour). Existing staff who have undertaken apprenticeship training have continued on their substantive NJC pay rate, in line with our standard grading structure (the lowest salary point on our standard grading structure is currently £9.25 per hour). Appendix 1 provides further information on the NMW and NJC salary rates.
- 2.4. The Council does not currently employ any new recruit apprentices, as the four who were most recently in post have nearly completed their qualification and have been successfully appointed to substantive roles in the Council. However, two Revenue Apprentice vacancies have been advertised since early September 2021, without success, which has highlighted that our current pay rates are a factor in not attracting people to these opportunities.

3. Proposed Changes to Apprentice Pay

- 3.1. It is recommended that apprentice pay for new recruits are aligned with the Council’s standard grading structure and NJC salary points. Each apprenticeship opportunity would be evaluated in line with the standard Job Evaluation process. Due to the entry level nature of new recruit apprenticeship roles, it is envisaged that most roles would be evaluated at Grades 1 (£9.25-£9.62 per hour) or 2 (£9.81-£10.41 per hour). As with current arrangements, managers would be expected to allocate budget accordingly, following analysis of the role requirements and identification of the grade through Job Evaluation.
- 3.2. This change is proposed for the following reasons:
- 3.2.1. **Pay competitiveness in the local market** - Local intelligence demonstrates that many employers are now paying above NMW rates. For example an Exeter based IT firm is paying c£9.87 per hour for a Level 2 Accountancy Apprenticeship, Devon County Council pay £9.62 per hour (NJC salary point 3) for their Level 3 Business Administration apprenticeships and the University of Exeter’s Level 2/3 apprentice starting salaries are £9.50 per hour.
- 3.2.2. **‘Growing our own’** – recruiting more apprentices is a key part of the Council’s grow our own strategy, one of a number of workforce priorities agreed with the Committee on 2nd September 2021. Developing apprenticeship programmes aligned with career pathways will help to mitigate against our current recruitment and retention challenges, particularly in skill shortage areas, and support succession planning. Without an attractive apprenticeship proposition it will not be possible to effectively implement this approach.
- 3.2.3. **Council Plan Priority One – Better homes and communities for all (Anti-Poverty Strategy)** – this approach will support Objective 3 of the Poverty Reduction Strategy which is to promote an inclusive economy, by raising skills and improving access to a range of employment opportunities for people on low incomes. It should be noted that apprenticeships are available to people regardless of age, so having a competitive apprenticeship employment offer can support people from a range of backgrounds, not just young people. The Anti-Poverty Strategy also states an aspiration for the Council to be a Real Living Wage employer (minimum hourly rate of £9.90 per hour), which will be

considered further following the Reward Review (see paragraph 4.5.4 of the Recruitment and Retention Update to this committee).

- 3.2.4. **Council Plan Priority Three – A resilient economy** – through providing quality apprenticeship employment opportunities, the Council can demonstrate its commitment as a large local employer to wider economic prosperity in the district. As stated in the Recruitment and Retention Update (paragraph 2) provided to the Committee at this meeting, the current economic position is placing additional challenges on the ability to recruit to all roles, including apprenticeships. A smaller pool of talent to source candidates from also necessitates the need to ensure a competitive and attractive apprenticeship employment proposition.
- 3.2.5. **Maximise Levy spend** – the potential to attract a greater number of people to apprenticeship vacancies within the Council will lead to an increase in apprentice starts, enabling more effective use of the Apprenticeship Levy, which the Council is obliged to contribute to and will lose to the Government if it has not fully utilised internally. An increase in apprentice starts also increases the Council's ability to meet the Public Sector Target.

4. Implications of this change

- 4.1. Paying higher rates of pay will have budgetary implications, but this is difficult to quantify because the demand for future new recruit apprentices is as yet unknown. Based on the average number of new recruit apprentices each year over the last five years (2.2 per year), the difference between paying NMW and NJC Grade 1 is between £19,643 and £1,435 per annum based on an average of 2.2 apprentices, excluding on costs and depending upon the apprentice's age (see Appendix 2). Using the average age of apprentices over the last five years (age 24), they would be subject to the National Living Wage requirements and therefore the cost differential would be at the lower level (£1,435 per apprentice per year).
- 4.2. However, it should also be noted that the Government have announced an increase in the NMW from April 2022, which will also impact on the Council's lowest nationally determined National Joint Council (NJC) salary points (as described in paragraph 4.5 of the Recruitment and Retention Update, presented to this meeting). Using the average age apprentice again as an example (age 24), they are entitled to the National Living Wage which will increase to £9.50 per hour from April 2022, which is likely to be comparable with the lowest point on the NJC scale in any case.
- 4.3. Through the 'grow our own' strategy we aim to increase the number of new recruit apprentices, which could lead to additional costs. However, the work to develop these apprenticeship programmes will include conversations with service areas to identify where there may be opportunities to convert existing established vacant posts into apprenticeship opportunities, which could therefore lead to salary savings. When assessing the suitability of converting posts, the developmental needs of apprenticeship roles and revising tasks and responsibilities accordingly would be considered.
- 4.4. Using the standard Council pay and grading structure for new recruit apprenticeship roles would mean that any changes as a result of the current independent Reward Review will also impact on apprentices in the future. However, apprentices will still remain a small proportion of the overall workforce and apprentice numbers will be included in cost modelling as part of the Review.

4.5. It is acknowledged that pay rates are not the only factor which can impact on the attractiveness of Council apprenticeship opportunities. Other factors include the local government/Council brand, location (particularly where travel across the district may be problematic for some candidates) and perceptions of apprenticeships. The recruitment and 'grow our own' work already planned will aim to mitigate against these, for example through the development of a strong employer brand, work to develop closer links with local secondary schools and colleges (as a pipeline into apprenticeship roles) and membership of the South West Apprenticeship Ambassador Network (which promotes apprenticeships to employers, young people and their carers).

5. Conclusion

5.1. It is hoped that the recommendations in this report, to increase apprentice pay rates to align with the Council's standard pay and grading structure, will assist the Council in increasing apprentice starts to support recruitment, retention, succession planning and the Council's poverty reduction and economic prosperity strategic priorities.

Financial implications:

The financial implications are included in the report based on 2.2 apprentices (average to date over 5 years). In addition on costs in the order of 30% on top of the figures quoted would normally be included in the budget to cover National Insurance, Pension Contribution etc.

Legal implications:

The report does not identify any legal implications requiring comment.

Appendix 1 – National Minimum Wage and Council Grading Structure comparisons

National Minimum Wage (NMW) and National Living Wage (NLW) rates

Age	Hourly rate April 2021 April 2022 figures are in brackets	Annual salary (based on 37 hours per week) based on April 2021 figures April 2022 figures are in brackets
Under 18	£4.62 (£4.81)	£8,913 (£9,279)
18 to 20	£6.56 (£6.83)	£12,656 (£13,177)
21 to 22	£8.36 (£9.18)	£16,128 (£17,710)
23 and over (known as NLW)	£8.91 (£9.50)	£17,189 (£18,328)

The NMW also has an apprentice rate of £4.30 per hour for those aged under 19 years old or for those aged 19 or over and in the first year of their apprenticeship (this will rise to £4.81 in April 2022). However the Council has not used this rate, instead choosing to use the standard NMW rates based on the individual's age.

EDDC Grading Structure (20/21 rates, based on National Joint Council (NJC) salary points*)

Grade	NJC Spinal column point	Hourly rate	Annual salary (based on 37 hours per week)
1	1	£9.25**	£17,842
	2	£9.43**	£18,198
	3	£9.62	£18,562
2	4	£9.81	£18,933
	5	£10.01	£19,312
	6	£10.21	£19,698
	7	£10.41	£20,092
3	8	£10.62	£20,493
	9	£10.83	£20,093
	10	£11.05	£21,322
4	11	£11.27	£21,748
	12	£11.50	£22,183
	13	£11.73	£22,627
	14	£11.96	£23,080

Grades 1-4 only are shown for comparative purposes, as most apprentice roles will be at the lower grades due to their nature.

*The national NJC pay award, which was due in April 2021, is still pending.

**The lowest NJC rates will not be compliant with the National Living Wage from April 2022 (when it rises to £9.50 per hour). We await further guidance from the national employers on this.

Appendix 2 – Indicative Costs

The figures below are based on the average number of new recruit apprentice starts over the last 5 years:

Year	Number of new recruit apprentice starts
2016/17	0
2017/18	3
2018/19	2
2019/20	6
2020/21	0
Average over the last 5 years:	2.2

Annual salary cost for 2.2 apprentices (based on the average numbers over the last 5 years):

at current NMW under 18 rate	at current NMW 18-20 rate	at current NMW 21-22	at current NMW over 23 rate (NLW)	at Grade 1, NJC salary point 1	Difference between NMW under 18 and Grade 1	Difference between NMW over 23 rate (NLW) and Grade 1
£19,609	£27,843	£35,483	£37,817	£39,252	£19,643	£1,435

All figure exclude on costs (e.g. tax, National Insurance and pension contributions), which are c30% in addition to the above figures.