

Appointments and Conditions of Service Committee - 04/07/2017

Title of paper:	Apprenticeship Terms and Conditions		
Director(s)/ Corporate Director(s):	Richard Henderson – Director, HR and Transformation Candida Brudenell – Corporate Director, Strategy and Resources	Wards affected: All	
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Other colleagues who have provided input:	Jon Ludford-Thomas – Senior Solicitor, Legal Services		
Date of consultation with Portfolio Holder(s) (if relevant)	Cllr Toby Neal 14 th June 2017		
Relevant Council Plan Key Theme:			
Strategic Regeneration and Development			<input type="checkbox"/>
Schools			<input type="checkbox"/>
Planning and Housing			<input type="checkbox"/>
Community Services			<input type="checkbox"/>
Energy, Sustainability and Customer			<input type="checkbox"/>
Jobs, Growth and Transport			<input checked="" type="checkbox"/>
Adults, Health and Community Sector			<input type="checkbox"/>
Children, Early Intervention and Early Years			<input type="checkbox"/>
Leisure and Culture			<input type="checkbox"/>
Resources and Neighbourhood Regeneration			<input type="checkbox"/>
Summary of issues (including benefits to citizens/service users):			
<p>The Government introduced a levy on employers to fund apprenticeships from April 2017. It is collected monthly from employers with a pay bill in excess of £3 million through the Pay-As-You-Earn system (PAYE) and applies to both the public and private sectors across the UK. The rate for the levy is set at 0.5% of an employer's pay bill. The funding can only be drawn down and spent on apprenticeship training and assessment with an approved Skills Funding Agency (SFA) provider and any unspent funds will expire after 24 months.</p> <p>In addition, as part of the Government reforms, public sector bodies are targeted from April 2017 to have 2.3% of their overall workforce headcount as apprentices.</p> <p>Nottingham City Council's apprenticeship strategy aims to maximise the number of apprentices employed to utilise the levy being paid, without having an adverse impact on the salary bill. It is intended to achieve this through increasing numbers recruited via the Nottingham Apprentice scheme (all of which are city residents) and developing existing colleagues via apprenticeship training.</p> <p>This paper recommends changes to the current approach to a traditional apprenticeship model, to contracts of employment and rates of pay.</p>			

Recommendation(s):	
1	Pay all new starter Nottingham Apprentices the National Apprenticeship Wage of £3.50 per hour for the first three months of their contract.
2	Automatically uplift new starter Nottingham Apprentices pay to National Minimum Wage for their age from month 4 of their apprenticeship (ranging from £4.05 per hour to £7.05 per hour) and rising to National Living Wage for those aged 25 or over and in a second or subsequent year of their apprenticeship.
3	Establish an Additional Support Fund of £5k to assist apprentices that may experience financial difficulty in their apprenticeship, with cases to be assessed on an individual basis.
4	Agree an approach for internal apprentices which will allow existing employees to access apprenticeship training. Pay internal apprentices a salary based on a grade determined through job evaluation for their apprenticeship post.
5	Gain commitment to remain in NCC employment for a minimum of 2 years from the end of their apprenticeship.
6	Subject to the above, agree changes to the Apprenticeship Agreement so that this may be used for both entry level and 'internal' apprentices in line with the Council's apprenticeship strategy, widening the apprenticeship offer.

1 REASONS FOR RECOMMENDATIONS

- 1.1 Reducing the total apprenticeship salary expenditure will enable Nottingham City Council to employ more apprentices, thus providing more opportunity to our city residents and (will, over a period of time) maximise our apprenticeship levy spend and help us to achieve the public bodies target of apprentices, set at 2.3% of the overall workforce headcount (currently approximately 205). The council aims to utilise the apprenticeship levy by recruiting entry level apprentices and developing the existing workforce.
- 1.2 Employing more apprentices supports the Council's key objective of 'Guarantee a job, training place or further education plan for every 18-24 year old' and the pledge to 'Protect from cuts 100 apprentices'.
- 1.3 Introducing a pay model in line with the new wider Council pay model would enable greater numbers to be recruited under the current 50% corporately funded Nottingham Apprentice model.
- 1.4 Enabling internal employees to access the apprenticeship scheme will encourage greater take up of apprenticeships, leading to a better skilled workforce and helping the council to reach its levy targets over time. Paying internal apprentices based on the value of the work they do, as determined through job evaluation, will mitigate the potential risk of equal pay claims to the Council.
- 1.5 Gaining commitment from internal apprentices to remain with the council for a minimum of 2 years following completion of their apprenticeship ensures the business benefits from the increased skills of its workforce.

- 1.6 The existing apprenticeship agreement is designed for entry-level apprentices, new to the organisation who are paid on the minimum wage. By bringing the clauses on notice periods, annual leave entitlement, etc. in line with those in the Council's core contract, the updated apprenticeship agreement (which is a document required by law) would accommodate both entry level and internal apprentices paid on GLPC grades and ensure consistency for internal apprentices with existing colleagues. Changes will ensure consistency with the standard core contract wording and reflect Levy requirements/terminology.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

- 2.1 From April 2017 the Government introduced an apprenticeship levy for employers to fund apprenticeship training. All employers with a pay bill in excess of £3 million are required to pay the levy which can only be drawn down and spent on apprenticeship training and assessment with an approved Skills Funding Agency (SFA) provider. The rate for the levy is set at 0.5% of an employer's pay bill and based on the 2015/2016 pay bill would result in an annual draw down available of £927k (including maintained schools). A 10% top up will be also be provided by central government when funds are sent to the digital account providing a total available draw down amount of £1,019,700 per annum. In addition, public sector bodies are targeted to achieve 2.3% of the overall workforce headcount as apprentices and currently, this would be approximately 205 roles. Given these numbers, the salary bill to support this volume of apprentices on the existing entry level scheme would be £2,483,681 based on a cohort with an even spread between age brackets.
- 2.2 The Government's apprenticeship reforms ensure that apprentices are no longer restricted only to school leavers and young people. The removal of age restrictions, along with new higher level qualifications, support clearer progression paths from entry-level through to Degree and Masters levels. Apprenticeships can now play a key role in attracting new staff, developing existing colleagues, addressing workforce planning and succession issues and enabling employers to grow their own talent.
- 2.3 The Council are looking to meet this target through a combined approach of entry level apprentices and "internal" apprentices – where existing employees are given the opportunity to take up higher level apprenticeships, based on business need, e.g. social workers. To do this, employees would be seconded from their existing post and take up an apprenticeship contract whilst retaining the option of returning to their permanent post at the end of this.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 3.1 Retaining the existing pay model for entry level apprenticeships would mean salary costs continue to rise as National Minimum Wage increases each year and numbers of apprenticeships increase (as outlined in 2.1).
- 3.1 Paying all apprentices the lower National Apprenticeship Wage of £3.50 per hour for the duration of their apprenticeship would reduce the salary bill considerably but would limit the number of quality applicants received. Appendix 1 illustrates the current pay rates and shows the estimated salary costs under the current and proposed models

- 3.3 Offer internal apprenticeships to current employees without holding a vacant post for them to return to, should they choose to, at the end of their apprenticeship term. This approach is likely to deter many existing employees from accessing apprenticeship training, thus inhibiting the opportunities the levy presents to fund development for existing staff and meet levy quotas.

4 FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

- 4.1 The medium term financial plan includes a 2017/18 budget of £962,614 for apprentices. This includes the existing PATRA cohort.
- 4.2 The cost of the recommended option will be dependent on the number of apprentices recruited and the mix within the various age bands. Appendix 1 costs are based on a total of 100 apprentices evenly split between the band 16-17, 18-20 and 21-24.
- 4.2 The report also recommends the establishment of a hardship fund of £5k. The cost of apprentices recruited plus the cost of the hardship fund must be within this budget envelope.

5 LEGAL AND PROCUREMENT COLLEAGUE COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

5.1 Legal implications

- 5.1.1 Contained in exempt legal observations.

6 STRATEGIC ASSETS & PROPERTY COLLEAGUE COMMENTS (FOR DECISION RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE) (AREA COMMITTEE REPORTS ONLY)

- 6.1 N/A.

7 EQUALITY IMPACT ASSESSMENT

- 7.1 Has the equality impact of the proposals in this report been assessed?

No ☐

An EIA is not required because:
(Please explain why an EIA is not necessary)

Yes ☒

Attached as Appendix 2, and due regard will be given to any implications identified in it.

8 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

- 8.1 Not applicable

9 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 9.1 SFA Guidance: 'Apprenticeship Funding from May 2017', available on line at:
<https://www.gov.uk/government/collections/apprenticeship-changes>
- 9.2 Nottingham City 'Council Plan 2015-2019', available online at:
<http://gossweb.nottinghamcity.gov.uk/nccextranet/index.aspx?articleid=19791>