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**To:** Personnel Committee      **Date:** 4 November 2015

**Subject:** Apprentice Pay Rates

**Classification:** **Unrestricted**

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**Summary:** The national minimum pay rate for apprentices has increased. KCC is therefore required to adjust its minimum level. There is an impact on other pay points and the wider competitive position of the pay rates needs to be considered.

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## **1. Background**

- 1.1 Personnel Committee approved the framework on which apprentices are managed on 10 September 2013.
- 1.2 On the 1 October 2015 the National Apprenticeship minimum wage rose from £2.73 to £3.30 per hour which equates to £122.10 per week. In response to this, at least the minimum salary paid to KCC apprentices must be adjusted.
- 1.3 The change to the apprentice pay rate gives the opportunity to review the pay scales more widely and consider a review mechanism.
- 1.4 KCC wants to continue to position itself as an ambassador of apprenticeships and set an example to other organisations. We do not currently appear to be experiencing recruitment difficulties based on pay as this is not raised as an issue in the New Joiner's Survey for apprentices. The top reasons for applying are opportunities for development and training, nature of the work and location.
- 1.5 Out of the 140 apprentices recruited last year 118 were at level 2, 18 at level 3 and 4 at Level 4.
- 1.6 The majority of organisations in Kent, particularly larger employers, pay more than the minimum level to apprentices.
- 1.7 There is a likelihood that an apprenticeship levy will be introduced and details are expected to become clearer over the next few months. Initial information suggests that it will be 0.5% of employers national insurance contributions will be taken in the Levy from the employer. Further details are awaited to assist Skills & Employability ascertain the net impact on the Council.
- 1.8 It is possible for managers to move apprentices to the appropriate grade on the Kent Range, assuming a vacancy exists, as a way of

retaining them. The current minimum of the Kent Range equates to £267 per week.

1.9 Skills & Employability have been consulted on the development of this paper.

## 2. Current pay rates and scales

2.1 Before the most recent increase, KCC paid above the national minimum rate for apprentices. Until the increase occurred in October there was a difference of approximately £15 per week between the national minimum and the lowest KCC pay point. It is likely that the minimum pay level will increase disproportionately in the future. To retain this level, the KCC weekly pay would need to rise from £115 to £137.

2.2 Increasing one pay point affects the differential with others. The degree and impact of this compression on other pay levels needs to be considered as part of the overall review.

2.3 The current pay rates are given in Table 1.

**Table 1: KCC Apprentice salaries**

Level	Months	Current Weekly Salary	Proposed
Intermediate (L2)	0 - 4	£115 (£3.10 per hour)	£140
	5 - 8	£130	£150
	9 - End	£150	£160
Advanced (L3)	0 - 4	£150	£160
	5 - 8	£175	£180
	9 - End	£200	£200
Higher (L4)	0 - 4	£200	£200
	5 - 8	£225	£230
	9 - End	£250 (£6.75 per hour)	£260
* Apprentice 12 months+ 18 -20 inclusive		£171.02	
* Apprentice 12 months+ 21 and above		£233.47	

\* This framework covers all types of apprenticeships except where the apprentice has completed the first year of their apprenticeship and at that point is aged 19 or above, then the non-apprentice national minimum wage for a person at their age applies for the remainder of the apprenticeship.

### **3. Options and comment**

#### **3.1 Option 1. Uplift the minimum pay point so that it meets the national minimum.**

This is the 'bare minimum' required and KCC would fall back in relative terms at the minimum pay point.

#### **3.2 Option 2. Uplift the minimum pay point so that it is above the national minimum.**

This would retain the enhancement KCC offers relative to the national minimum level, however compressions between this point and the next would be accentuated.

#### **3.3 Option 3. Uprate all the pay points by the same amount.**

This would retain a consistent differential between each of the pay points, however would be expensive to the authority if, for example, this was £20-25 per week applied to all of levels. This is the preferred option of Skills & Employability.

#### **3.4 Option 4. Uplift the minimum pay point so that it is above the national minimum, adjust the remaining pay points to accommodate the compression and maintain competitiveness. See 'Proposed' column in Table 1.**

A clear difference would be retained in the minimum pay level between KCC and national rates without disproportionately increasing the overall expenditure. The pay associated within each level has not been increased since their introduction in 2013, therefore it is timely for a review to be undertaken.

### **4. Other considerations and principles**

4.1 Should there be any increase in national rates which overtake our minimum, the national rate will be applied for those individuals pending any review of the apprentice rate scale.

4.2 In order to retain a competitive framework over time, the pay scales could be uprated by an index such as CPI or by the agreed KCC scale move. Alternatively, to make the weekly figures 'rounded' an annual increase of £5 per week on each point and subject to any formal review, could be agreed.

4.3 Should the Apprentice scheme be developed further any additional levels would be included in a consistent manner.

### **5 Equality Impact Assessment**

5.1 An Equality Impact Assessment has been undertaken to inform the decision. Screening has not shown that there is a disproportionate or negative impact on any of the protected characteristics. This is shown at Appendix 1.

## **6. Conclusion**

- 6.1 There are a number of aspects to be considered, however the Apprentice scheme needs to be able to attract quality recruits and be affordable in the long term. Retaining a structure which is adaptable to increases in the national pay rates and can be uprated on an agreed basis to maintain its value would ensure long term competitiveness. The current framework allows for the growth and development of each apprentice by way of the progression within the level every four months.

## **7. Recommendation**

- 7.1 Option 4 outlined in 3.4 is accepted as this balances the required elements – addressing the increase in the national minimum payment, compensating for pay compression and retaining competitiveness by way of pay adjustment. This therefore appears a sensible and pragmatic approach.
- 7.2 The apprentice rates are adjusted annually in accordance with the Kent Scheme award and still subject to review on an ad-hoc basis.
- 7.3 Should the subsequent increases in the national minimum pay levels overtake KCC rates, KCC would match these pending any wider review of the scales.

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Background documents:

Personnel Committee – 10.09.13