

Committee(s)	Dated:
Establishment Committee	25 October 2016
Subject: New Apprenticeship Scheme and Paid Work Experience	Public
Report of: Director of Human Resources	For Decision
Report author: Tracey Jansen Town Clerk's Department	

Summary

This report updates Members on the work of the Apprenticeship Task and Finish Group, which was set up earlier this year to address the Government's new policy on the Apprenticeship Levy. The City of London Corporation has already agreed to a target of 100 apprentices and this group has been tasked with: identifying apprenticeship starts with departments; considering how we can make our offer attractive and one which meets our wider strategic objectives; the appropriate levels of pay; and how the service will be provided and funded.

The report asks Members to endorse the commitment to paying the London Living Wage to apprentices and those undertaking paid work experience.

The report makes recommendations for funding additional pay and service costs in providing an expanded service.

The report also notes the review of paid work experience including trainees and interns and recommends aligning pay with that of the apprentice Level 2 rate of pay.

Recommendation(s)

Members are asked to:

- approve the pay of Apprentice Level 2 and 3 be increased from £10920 and £12480 per annum to the London Living Wage rate of £17155 and £17498 (the current London Living Wage plus 2%) respectively with effect from 1 April 2017.
- note that the London Living Wage rate is expected to be uplifted on 31 October 2016.
- agree that these rates are established as pay scales for apprentices and paid work experience and in future reviewed as part of the annual pay considerations.
- endorse revisions to the City Corporation's Pay Policy Statement to reflect this change for onward approval by the Court of Common Council.
- agree in principle the additional costs (£251500) of providing an expanded service subject to a further report outlining the detailed proposals.

- approve the pay for all paid work experience in line with Level 2 apprentice pay rate (London Living Wage).

Main Report

Background

1. The report to this Committee in June 2016 outlined the government proposal to introduce an Apprenticeship Levy of 0.5% of gross payroll and a proposed target for apprenticeship starts for local authorities equivalent to 2.3% of the workforce. The Town Clerk has, in consultation with Chief Officers, set a target of 100 apprenticeships across all of our functions not just the local authority ones. A Task and Finish Group has been looking at: how the target for apprenticeship recruitment can be met; pay rates; funding; and proposals for the delivery and implementation of a new scheme from April 2017.
2. The opportunity has also been taken to analyse expenses and/or pay for those undertaking work experience and internships across departments. This review identified that a range of opportunities such as: basic work shadowing and observation; exposure to basic skills and tasks; actual duties and work similar to that of first year apprentices; work undertaken as part of a course of formal qualification training; covering the full duties of an established post. Length of work experience can vary from a few days to several months.

Current Position

3. The Task and Finish Group has developed a Delivering Apprenticeship Implementation Strategy attached as appendix 1 which has been approved by the Strategy and Resources Group. Officers on behalf of the Task and Finish Group have been working with departments to identify where suitable opportunities can be made available using two criteria - opportunities that can or are already funded from within the departments or opportunities that could be created subject to additional funding being made available. Departments have indicated that, without the allocation of additional funding, it will not be possible to achieve the target of 100 apprentice starts in 2017-18.
4. As a consequence of the government proposals, demand and competition for apprentices is expected to increase significantly as public sector bodies act to meet the government's target, and larger levy paying employers seek to draw on their levy to meet their skills needs.
5. In order to reach our target we need to be attractive in the market by offering exciting and high quality opportunities at competitive pay. Departments have been working over the summer to identify a range of apprenticeship opportunities. These range from business administration to equine grooming. The plan is to recruit apprentices over the course of the financial year in 4 cohorts.
6. As Members will be aware the City Corporation currently provides an apprenticeship service which was rated 'Good' by Ofsted in July 2016. The

intention is to register under the new arrangements as an apprenticeship 'Employer-Provider' to build on the current experience that we already have in sourcing and supporting apprentices and their managers. This will be partially funded through the levy but not in its entirety if we are to provide a high quality service to a large number of apprentices (we currently employ around 25 a year from the current apprenticeship service).

7. The second major element to being an attractive employer is fair and reasonable pay. Currently our Pay Policy states that apprentices are paid a proportion of the Living Wage Foundation's, London Living Wage. There are 6 apprenticeship levels, however our initial focus will be on Level 2 and Level 3. Level 2 is the entry level (intermediate) apprenticeship, delivering a skills level equivalent to five GCSE's but offering a far broader range of work based competencies. Level 3 offers an advanced apprenticeship in which a higher level of skills/qualification and experience is gained. The Living Wage Foundation recommends that employer's pay the Living Wage to apprentices where they can afford to do so. When the City Corporation became accredited by the Living Wage Foundation in 2012, it fixed the rates for apprentice pay at 70% and 80% of the London Living Wage for Level 2 and 3 apprentices. It is recommended that in order to meet our wider commitments to the living wage that Apprentice pay is uplifted in line with the London Living Wage. Not all apprentices will necessarily be appointed on these rates; if there are higher level apprentices (e.g. Level 4 and above) they are likely to be appointed on one of the established grades.

Implementation

8. The Apprentice Implementation Strategy (see appendix 1) sets out key principles and how the City Corporation will achieve its target of 100 apprentices in 2017/18.
9. Apprentices will be recruited in 4 cohorts across the year to ensure effective induction and support for new starts. The initial focus will be recruitment of apprentices at Levels 2 and 3, to provide entry-level opportunities.
10. The City Corporation will initially deliver or broker all training of apprentices in-house as an "employer-provider". A commitment to quality of provision and support, and the achievement of high level outcomes, will help ensure the City Corporation is a destination that attracts talent from schools, including from our academy, independent and local schools, and from our surrounding communities.

Options

11. A review of the current rates and arrangements for both apprentice pay and paid work experience has identified that rates have not been reviewed for some time and with regards to work experience there are inconsistencies in the remuneration and expenses currently paid. It is therefore not considered appropriate to retain the current pay arrangements.
12. Alternatives have been considered such as applying the current national living wage (£7.20 per hour) or to uplift the apprentice pay to 70% and 80% of the

current London Living Wage (£6.58 and £7.52 per hour), but it is considered more appropriate for the reasons set out in this report to pay apprentices and individuals in paid work experience in accordance with the London Living Wage rate of pay.

Proposals

Apprentice and paid work experience salary levels and costs

13. The current starting levels of apprentice pay are set at £10,920 (£6 per hour) for Level 2 and £12,480 (£6.85 per hour) for Level 3, and have remained unchanged since 2012. The Living Wage Foundation's UK and London Living Wage are £15056 (£8.25 per hour) and £17155 (£9.40 per hour) respectively. At the meeting of Summit consideration was given to the appropriate level of pay for our apprentices and paid work experience and it has recommended that the London Living Wage is paid as a minimum. As the Task and Finish Group recommends retaining two apprentice rates of pay for Level 2 and 3 to reflect progression it is proposed that a second pay rate of the London Living Wage plus 2% is also created.
14. Members will be aware that as part of this year's pay award we removed the bottom two scale points from Grade A. It is proposed that 2 scale points are created for apprentices to match the London Living Wage for Level 2 apprentices and London Living Wage plus 2% for Level 3 apprentices for 2017-8. This will ensure that apprentice pay is reviewed regularly as part of the annual pay discussions for all staff.
15. Setting salaries at these levels will enable to the City Corporation to:
 - demonstrate its commitment to being a leader on this agenda
 - attract and secure the number and quality of apprentices it seeks
 - better support the ambition to attract apprentices from all backgrounds
 - addresses concerns such as the affordability of travel
16. The cost of funding these revised salary levels includes the additional net cost for increasing the salaries that are already planned for but budgeted at existing apprentice salaries, and the additional gross salary cost of apprentices that are recruited in addition to those planned.
17. The full year additional salary cost based on the current London Living Wage rate is estimated to be £1.4m, although it is anticipated that the appointment of apprentices will be phased throughout the year and so the actual cost to the City Corporation in 2017/18 will be lower. It should be noted that the London Living Wage rate is likely to increase on 31 October 2016.
18. It is acknowledged that increased salary levels, alongside significantly increased numbers, will increase the cost to the City Corporation of delivering apprenticeships. It should be noted that departments have identified new apprentice opportunities on the basis that additional central funding may be available. Summit has agreed that additional funding will be provided to meet the new posts identified up to the target 100 apprenticeships. As there is still further work to be done with departments to develop new apprenticeship positions, the

additional funding for 2017/18 will be requested as a ring-fenced fund, it is anticipated that in subsequent years, this will be apportioned fully as an increase to departmental staffing budgets.

19. With regards to paid work experience the review of pay rates has identified a number of different arrangements currently exist and it is appropriate to apply the same rates agreed for those undertaking paid work experience for more than two weeks placements or the equivalent in hours. This will ensure a clear rationale, transparency and fairness across all paid work placements. Individuals undertaking work experience do have a contract of employment for the duration of their placement and as such will be entitled to statutory benefits such as holiday pay which, depending on the duration of the placement, may be paid up at the end of their placement. Placements are discretionary and will continue to be funded by the employing department.

Levy income and Apprentice service cost

20. It is estimated that the City Corporation's annual levy contributions will be £720,000. Levy income can be drawn down by the City Corporation's Apprenticeship Service and used to fund training, education and the end point assessment of apprentices. The levy can also meet some other costs – such as administration related to the delivery of the apprenticeships. If unspent after 18 months they are lost.

21. The City Corporation's declared approach to apprenticeships - in terms of the quality and depth of support to apprentices, and the breadth of the Apprenticeship Service's role will require additional resourcing for elements that cannot be funded by the levy. These include:

- apprentice recruitment
- outreach work with schools and communities
- wages of the apprentice
- travel
- wages for line managers or other colleagues supporting the apprentice training and support to managers and supervisors

22. It is also proposed to establish a post to act as the strategic commissioner with oversight of the performance and delivery of the City Corporation's Apprenticeship Service. Such a role will allow for performance monitoring and management, and were it necessary, or exceptionally, the commissioning of services from an alternative provider.

23. The estimated costs of the enhanced service is approximately £251,500. However, it should be noted that there are many uncertainties that may impact on the City Corporation's future plans. These include the level of future demand and competition for apprentices in the local and wider economy, and changing attitudes among applicants, parents, schools and employers to apprenticeships. A further report outlining the detail of the apprenticeship Employer-Provider model will address any issues identified.

Corporate & Strategic Implications

24. As well as complying with its statutory obligations, having an attractive offer and comprehensive service will enable us to better support other City Corporation commitments including the Corporate Plan; the Employability Framework and commitments set out in The City's Business; the Education Strategy and Children and Young People Strategy; our commitment to having a more diverse workforce; and a desire to be an example of best practise to our partners other local authorities and within the wider City. There is added reputational potential for the City Corporation as a model practitioner and change leader across London by implementing this policy.
25. We have recently been awarded silver Work Experience Quality Standard by Fairtrain and as part of this commitment it is considered appropriate to apply the same rates for paid work experience as those agreed for apprentices and this will go some way to the City Corporation achieving Gold Standard in the future.

Implications

26. Departments have identified 30 planned apprenticeships based on existing salary levels and a further 70 new roles that are deliverable with additional salary funding. The net increase to salary costs based on proposals within this report is approximately £1.4m, which will need to be met by the allocation of additional funding to departments.
27. This is an important initiative and one which the City Corporation would wish to support and therefore central funding has been identified.
28. There is no increase to the City Corporation's substantive pay bill in relation to the provision of internships and related work experience schemes as these are discretionary schemes.
29. With regards to the apprenticeship service costs of £251,500, it is recommended that in principle necessary additional costs of the service which are not already provided and cannot be appropriately met by the levy should be met centrally but a further report detailing the proposal with full costings and staffing structure is referred back to this Committee for decision.

Conclusion

30. Delivering an outstanding apprenticeship service will require funding for additional services that cannot be funded by the Apprenticeship Levy. Meeting the scale and breadth of apprentice employment the City Corporation aspires to will require a more competitive salary offer, and the resourcing of increased salary costs.
31. Aligning all paid work to the Living Wage Foundation rates demonstrates the City Corporation's commitment to pay all individuals fair pay and meets the expectations of the Living Wage Foundation accreditation, eliminating any reputational risk associated with this issue. Applying the Living Wage Foundation rates as a minimum across all entry routes to the City Corporation will ensure

consistency in approach across the organisation helping to ensure equality and limit any reputational risk to our wider agendas.

Appendices

- Appendix 1 – Apprentice Implementation Strategy and Plan'

Background Papers

New Apprenticeship Levy and Target – Report to Establishment Committee June 2016

Tracey Jansen -Head of HR and Business Services, Town Clerks Department

T: 020 7332 3289]

E: tracey.jansen@cityoflondon.gov.uk]