

Market Rate Supplement Payments – Annual Update

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Purpose of this report

To receive an update about the current application of market rate supplements to posts across Central Bedfordshire Council.

RECOMMENDATIONS

The Committee is asked to:

To note the annual update about the current application of market rate supplements to posts across Central Bedfordshire Council

Background

1. Since 2013 the Committee has requested an annual update regarding the application of market rate supplements (MRS) to posts across the Council to inform and help the Committee's understanding of the use and value of the market rate supplement policy.
2. This report provides information covering:
 - The number of MRS payments against salary bands
 - The number of MRS payments by MRS band
 - The percentage cost of MRS payments against the total salary bill by directorate
 - Staff turnover in the service areas in receipt of MRS.
3. The application of an MRS is an attempt to bridge the gap between the Council's salary levels and the current 'market' rate of pay for professionals who are key to the delivery of Council services.
4. The basic annual salary applied to any individual post is determined by the job evaluated grade in accordance with the application of the appropriate job evaluation scheme. The Council has two separate job evaluation schemes, the NJC scheme (National Joint Council for local government employees) and the Hay job evaluation scheme for posts above approximately £29.5k (CBG 10).

5. The application of job evaluation ensures that all staff undertaking work of equal value receive the same level of pay and therefore we avoid generating inequality issues regarding pay and work of equal value and minimise the risk of equal pay claims.
6. However when applying the job evaluated grade to the Council's salary scales the salary for certain posts does not equate to a current market rate.
7. Despite the high levels of investment both nationally and locally to increase the number of employees with the skills required for the economy, there is still a high demand for experienced, skilled professionals in certain service areas across the Council and consequently MRS payments continue to be needed and in some instances the value of the MRS has had to be increased.
8. In recent years we have really focused on strengthening our in-house social worker team in Children's Services reducing reliance on agency interims and recruiting permanent staff. Recognising the challenge with the market we implemented an initiative to differentiate the level of MRS payment made to different teams so that the social workers in the teams that have the most demanding roles are provided with a higher level of MRS and the MRS to newly qualified social workers was reduced. This approach has been successful in attracting and retaining experienced social workers and has enabled the Council to compete in the competitive market but overall manage our costs. We have increased our staffing compliment achieving a good mix of social workers whilst continuing to 'grow our own'. The Children's Social Worker Academy continues to be an important part of our overall recruitment and retention strategy. Despite the increased costs of some of the MRS payments, it is still a better use of our resources to fund an MRS payment to a permanent member of staff rather than long term use of an agency/ interim worker to cover the vacancy. There continues to be a steady decline in the level of agency workers used which enables us maximise the chances of a child building a long term relationship with their social worker, rather than frequent changes of locums.
9. Even with the introduction of MRS payments for qualified practitioners 3 years ago, Adult Social Care continues to face recruitment and retention difficulties. The requirements of the Care Act and the amendment to the Mental Capacity Act resulting in the marked increase in Deprivation of Liberty Safeguards assessments, has resulted in an increase in demand for adult social workers. The benchmarking data evidenced that CBC was paying less than neighbouring local authorities for experienced qualified Adult Social Workers, Senior Practitioners and Team Managers. This impacted on the data provided for 2015/16.
10. The cost of MRS in Adult Social Care has increased slightly despite the staff numbers receiving MRS decreasing slightly. This is due to the increase in MRS and the inclusion of 2 new posts (headcount 4) as approved by senior management last year, rather than due to the recruitment of qualified staff eligible for an MRS. A 12 month hard to

fill recruitment campaign for qualified posts that are eligible for MRS started in March 2017, so it is anticipated that the cost of MRS will increase in 2017/18 but this will be more than off set by the significant reduction in the use and cost of locum agency workers.

11. The MRS payments for Planning and Building Control are currently under review. In the current buoyant private market it is difficult to recruit to experienced planners and building control officers and we have had to rely on agency interims filling gaps. In view of the market it is envisaged that the MRS payments will continue but we may need to reassess the value of these.
12. There are some legacy contractual entitlements that remain in place, and are protected under TUPE in Community Services.
13. There continues to be a requirement to pay MRS for posts for specialist IT and experienced qualified Finance posts. Regular reviews of the MRS paid to the Finance posts will be undertaken. The 1 post within IT which is paid an MRS will end in 2018 with the ending of a fixed term contract.

Number of MRS payments across salary bands

14. The graphs on Appendix A show that MRS payments are mainly paid to staff in the middle salary bands and not senior managers. However as evident from Appendix B, over the past two years the value of individual MRS have had to be increased, so a greater number of supplements are now paid in the higher pay bands. The data in both these appendices is based on the actual payment of MRS to individuals, it does not reflect the actual number of posts at that level which may be currently vacant and if filled will attract an MRS payment.

Market Rate Supplements as a percentage of the total pay bill.

15. In previous years members of the committee have also wished to understand what percentage of each Director's budget is used to fund the cost of MRS payments.
16. The attached Appendix C shows that the percentage of the total pay bill (excluding on-costs) for each directorate for 2014/15, 2015/16 and the most recent year, 2016/17. Due to the impact of staff restructures and staff turnover the data for the annual cost of market rate supplements is taken from a date in time and then annualised.
17. The figures in Appendix C shows slight variations across the Directorates, partly due to the changes referred to above but also arising from the movement of services across the directorates last September. The reduction in percentage spend in Adult Social Care from 2015/2016 reflects the recent reliance on agency interims with fewer staff receiving an MRS. However with the current recruitment campaign we envisage that this will increase as permanent staff are appointed with MRS payments attached to those specialist posts.

Staff Turnover Rates

18. The application of an MRS payment is to support retention as well as recruitment, so we have been tracking staff turnover in those service areas where MRS payments are made. The rates quoted in Appendix D reflect voluntary turnover and the evidence is that although there are variances each year overall it appears that MRS has contributed to stability.
19. As the Council's MRS policy provides for a MRS payment to be paid for a period of three years. This also contributes to stability and confidence that the payment is on going and not just a very short term measure.
20. Any request by a Director for an MRS is agreed by senior management in accordance with the guidelines set out in the policy. Detailed reviews and benchmarking are undertaken when MRS payments are being considered by senior management so we ensure we are continuing to pay MRS where it is required and to the appropriate level.
21. When looking at staff turnover figures we need to be aware that turnover can reflect a number of factors not just pay and the most frequent reason generally given for someone leaving are dissatisfaction with the job/pressure of the work.
22. An important part of our approach to retaining our employees is to invest in skills development and this has been successful across the teams as the development opportunities provided are highly valued. We have also strengthened staff engagement and management support to staff to ensure they feel supported and able to work to their maximum potential.
23. The introduction of changes to IR35 by the HMRC in April has led to the conversion of agency workers to permanent contracts. However whilst we have been working very hard to stabilise our Children's social worker groups, we are faced by the challenge of neighbouring Local Authorities investing in recruiting permanent experienced social workers offering enhanced packages to attract staff.
24. There has also been a major regional project over the past 12-18 months focusing on helping to manage the increasing cost of agency workers by developing an agreed 'capped' range of temporary rates for social workers. Managing the rates may also help with reducing the attraction of agency work over and above permanent work. The Directors of Children's Services across the Eastern region have all signed up to support this project.

Corporate Priorities

25. The payment of a market rate supplement supports the Council's commitment to achieving its priorities by ensuring the ability to recruit and retain the skills required to deliver services.

Legal Implications

26. None specifically arising from this report as the payment of a market rate supplement is justified by the evidence of the market information collated and therefore can be defended against any equal pay challenge under equal pay legislation.

Financial Implications

27. None specifically arising from this report. There is coverage within existing budgets where MRS is paid.

Equalities Implications

28. None specifically arising from this report as the payment of a market rate supplement is justified by the evidence of the market information collated and therefore can be defended against any equal pay challenge under equal pay legislation..

Conclusion

29. The information set out in this report and the attached appendices show that there is still a critical requirement to pay MRS in some service areas to enable the council to attract and retain employees with the necessary skills and experience to meet the needs of our services.

Appendices

The following appendices are attached:

Appendix A – Number of recipients of Market Rate Supplements by salary band

Appendix B – Annual Market Rate Supplements by banding

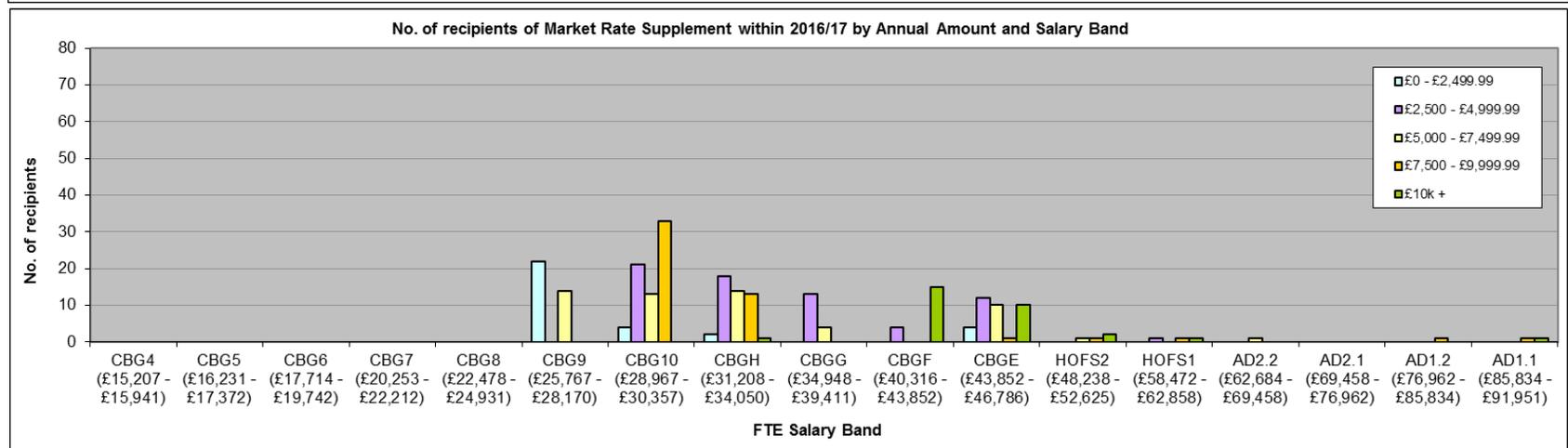
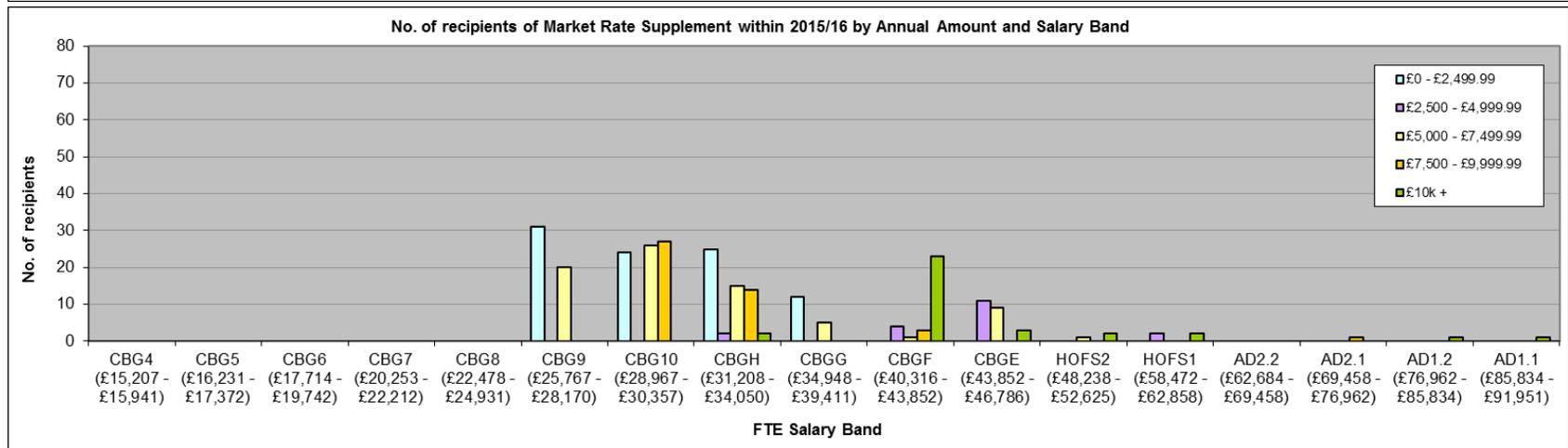
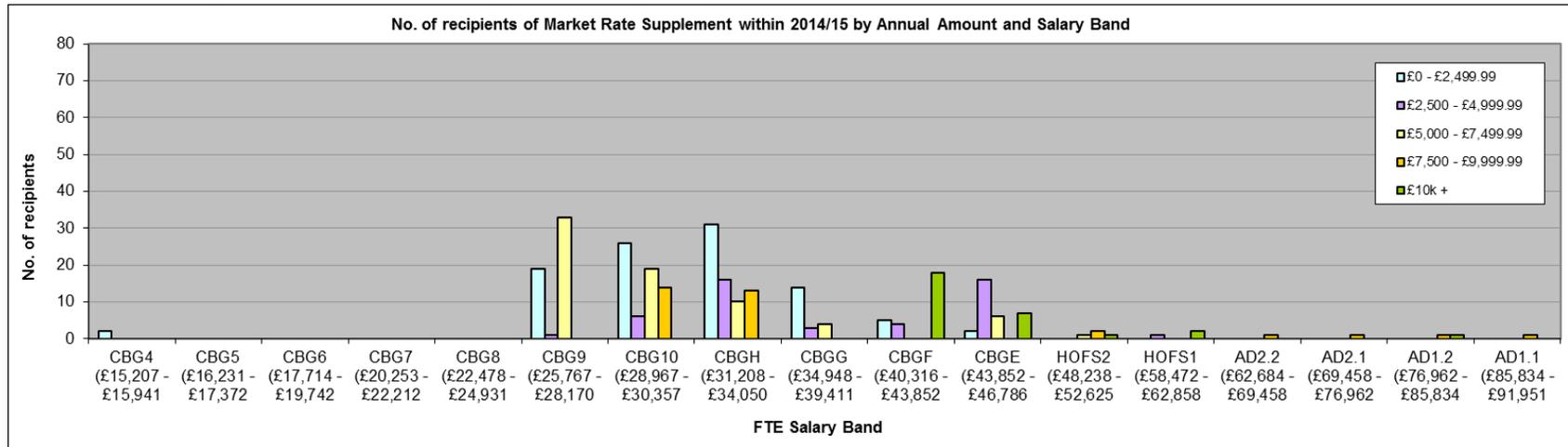
Appendix C – Market Rate Supplements as a percentage of salary costs for 2013/14, 2014/15 and 2015/16

Appendix D - Market Rate Supplement analysis including staff turnover information for 2013/14, 2014/15 and 2015/16.

Background Papers

None.

Appendix A – Number of recipients of Market Rate Supplements by salary band – 2014/15, 2015/16 and 2016/17



Appendix B - Market Rate Supplement Banding Tables - 2014/2015, 2015/2016 and 2016/2017

2014/15	Annual Market Rate Supplement Banding					
	£0 - £2,499.99	£2,500 - £4,999.99	£5,000 - £7,499.99	£7,500 - £9,999.99	£10k +	Total
Chief Executive	0	0	0	0	0	0
Children's Services	3	23	63	29	27	145
Community Services	3	0	2	1	0	6
Financial Services	0	0	6	0	0	6
Improvement & Corporate Services	0	0	0	0	1	1
Public Health	0	0	0	0	0	0
Regeneration	5	16	0	3	1	25
Social Care Health & Housing	88	8	2	0	0	98
No. of Recipients in 2014/15	99	47	73	33	29	281

2015/2016	Annual Market Rate Supplement Banding					
	£0 - £2,499.99	£2,500 - £4,999.99	£5,000 - £7,499.99	£7,500 - £9,999.99	£10k +	Total
Children's Services	14	7	55	44	31	151
Social Care Health & Housing	77	2	10		1	90
Community Services	1		2			3
Financial Services			7			7
Improvement & Corporate Services					1	1
Regeneration		10	3	1	1	15
No. of Recipients in 2015/16	92	19	77	45	34	267

2016/17	Annual Market Rate Supplement Banding					
	£0 - £2,499.99	£2,500 - £4,999.99	£5,000 - £7,499.99	£7,500 - £9,999.99	£10k +	Total
Chief Executive	0	0	0	0	0	0
Chief Executive's Team	0	0	0	0	1	1
Children's Services	10	8	37	49	29	133
Community Services	0	0	1	0	0	1
Public Health	0	0	0	0	0	0
Regeneration	1	10	3	2	0	16
Resources	0	0	7	0	0	7
Social Care Health & Housing	21	52	8	0	0	81
No. of Recipients in 2016/17	32	70	56	51	30	239

Appendix C - Market Rate Supplements as a percentage of salary costs 2014/15, 2015/16 and 2016/17

Directorate	2014/15 Cost of Market Rate Supplements	2015/16 Cost of Market Rate Supplements	2016/17 Cost of Market Rate Supplement
ACE - Resources	-	-	-
Children's Services	£702,424	£975,884	£1,023,160
Social Care Health & Housing	£133,307	£151,143	£207,332
Sustainable Communities	-	-	-
Chief Executive	£0	£0	£0
Community Services	£21,467	£13,158	£8,186
Improvement & Corporate Services	£5,810	£14,166	-
Public Health	£0	£0	£0
Financial Services	£34,632	£33,360	-
Regeneration	£82,570	£69,288	£68,428
Resources	-	-	£35,775
Chief Executive's Team	-	-	£14,166
TOTAL	£980,210	£1,256,999	£1,357,047

Directorate	2014/15 Salary Costs	MRS as % Salary Costs 2014/15	2015/16 Salary Costs	MRS as % Salary Costs 2015/16	2016/17 Salary Costs	MRS as % Salary Costs 2016/17
ACE - Resources	-	-	-	-	-	-
Children's Services	£11,460,657	6.13%	£12,634,508	7.72%	£13,033,789	7.85%
Social Care Health & Housing	£16,362,619	0.81%	£18,440,277	0.82%	£20,562,981	1.01%
Sustainable Communities	-	-	-	-	-	-
Chief Executive	£209,145	0.00%	£209,470	0.00%	£211,565	0.00%
Community Services	£8,095,816	0.27%	£9,905,454	0.13%	£10,318,636	0.08%
Improvement & Corporate Services	£11,780,002	0.05%	£9,970,131	0.14%	-	-
Public Health	£746,190	0.00%	£710,406	0.00%	£672,394	0.00%
Financial Services	£4,017,166	0.86%	£4,050,142	0.82%	-	-
Regeneration	£5,380,490	1.53%	£5,366,210	1.29%	£6,221,654	1.10%
Resources	-	-	-	-	£8,309,610	0.43%
Chief Executive's Team	-	-	-	-	£2,350,504	0.60%
TOTAL	£58,052,085	1.69%	£61,286,598	2.05%	£61,681,132	2.20%

Appendix D – Market Rate Supplement Analysis Turnover Information for 2014/15, 2015/16 and 2016/17

Area	2014/15	2015/16	2016/17
	Voluntary Turnover Rate	Voluntary Turnover Rate	Voluntary Turnover Rate
CBC	12.32%	13.41%	12.30%
<i>Public Protection & Transport</i>			12.31%
<i>CS, PP, W&L</i>	7.76%	16.10%	
<i>Highways & Tran</i>	13.53%	14.62%	
<i>Financial Services</i>	2.56%	7.81%	9.87%
<i>Information Technology</i>	12.33%	26.25%	10.87%
<i>Child Serv Ops</i>	14.10%	12.44%	17.97%
<i>Commissioning</i>	11.39%	15.79%	12.28%
<i>School Improvement</i>	7.94%		10.53%
<i>Adult Social Care</i>	18.89%	15.04%	13.62%
<i>Social Care H&H</i>			0.00%
<i>Development Infrastructure</i>	8.39%	8.86%	7.88%