

MARKET RATE SUPPLEMENT PAYMENTS – ANNUAL UPDATE

Report of

Cllr Richard Wenham, Deputy Leader and Executive Member for
Corporate Resources

Richard.Wenham@centralbedfordshire.gov.uk

Advising Officers:

Charles Warboys, Director of Resources

Charles.Warboys@centralbedfordshire.gov.uk

Vikki Chapman, Assistant Director -People

Vikki.Chapman@centralbedfordshire.gov.uk

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:

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 received 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. The basic annual salary level of any individual position is determined by a

robust job evaluation scheme that helps minimise the risk of equal pay claims.

4. However, when applying the job evaluated grade to the Council's salary scales the salary for certain posts does not necessarily equate to the current market rate. For these situations, the Council has an MRS policy that requires roles to be benchmarked against more than one reliable source that forms the basis of a robust business case. The decision to apply an MRS and at which value is made by Directors and is reviewed generally every three years.
5. 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. Consequently, MRS payments continue to be needed and in some instances the value of the MRS has had to be increased.
6. The introduction of a new tax reforms (IR35) in April in 2017 directly impacted a number of our areas where we have previously relied on locums to cover vacancies, often long term. Prior to these reforms, locums were able to trade through a limited company and were able to work and generate an income with the added benefits of being a limited company. The changes meant that the organisation paying them were responsible for ensuring they were paying the correct taxes in line with a directly employed employee. Therefore, locums operating through limited companies often saw their monthly income significantly reduce, meaning that it can be more attractive to be directly employed. We have been able to convert a number of these long-term locums to employees, reducing our costs and vacancy rates, albeit increasing the number of MRS payments.

Directorate Overviews

Children's Services

7. We have continued to focus on strengthening our in-house social worker team in Children's Services reducing reliance on agency interims and recruiting permanent staff. One of the strategies implemented differentiated 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. The MRS to newly qualified social workers was reduced. This approach has been successful in attracting and retaining experienced social workers, focusing them on the particularly demanding areas and has enabled the Council to compete in the market.
8. We have increased our staffing complement achieving a good mix of social workers whilst continuing to 'grow our own'. The 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 remains a more cost-effective solution than long term use of an agency / interim workers.

9. There continues to be a decline in the level of agency workers used which enables us to maximise the chances of a child building a long-term relationship with their social worker, rather than frequent changes of agency social workers.
10. Children's Services are currently running with a 15% vacancy rate which is a significant improvement over recent years.

Social Care, Health and Housing

11. MRS payments apply to qualified social care roles within Adult Social Care. There remain ongoing challenges to recruit to vacancies in senior social work and occupational therapy roles where we are competing with many other authorities for a small number of high quality candidates. MRS payments will be reviewed in summer 2018 when new market data will be obtained, and recommendations made in relation to rates.
12. In the meantime, the focus is moving towards 'growing our own' with changes in structure to differentiate between qualified and non-qualified activities. The Social Work Academy that has previously been solely focused on Children's social workers and has proven successful in tackling the issues, is adapting its model to also apply to Adults. The benefits of this model take some time to be fully realised but it is foreseen that this will help reduce the requirement for agency workers in these posts.

Regeneration and Business

13. The current MRS payments for Planning and Building Control were reviewed in 2017. It continues to be difficult to recruit experienced planners and building control officers in the current buoyant private market which was reflected within the market data.

Community Services

14. Although CBC's policy is to review MRS payments at least every three years, that was not the case for all legacy authorities. Within Community Services, there is one contractual entitlement that remains in place and is protected under TUPE.
15. Within IT, there is an existing MRS applied to a fixed term post.
16. Following the changes within the Assets structure, a small number of MRS payments were applied in 2017/18 to professionally qualified posts to reflect the demand for the scarce property and construction skills required to generate the capital and revenue income derived from property & land assets.

Resources

17. Despite well promoted attempts, it did not prove possible to recruit to team management roles in Revenues & Benefits. Analysis indicated market rates were an influencing factor resulting in the application of a new MRS for these posts in order to enable the effective management of the Council's Revenue Stream.
18. There remains a handful of MRS payments in Finance that were agreed in the very early days of CBC. These were open ended and are contractual. These payments to the Senior Finance Managers are scheduled for a review in 2018 which will include both rates and the options for addressing the contractual implications.

Public Health and Chief Executive area

19. There are no MRS payments within these Directorates.

MRS Data

Number of MRS payments across salary bands

20. It can be seen from the graphs within Appendix A 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 payments have had to be increased, hence a greater number of supplements are now paid in the higher pay bands.
21. The data in both of these appendices is based upon the actual payment of MRS to individuals and only highlights the MRS requirements of filled positions, it does not reflect the overall number of positions at that level of which some will be vacant and if filled will attract an MRS payment.

MRS as a percentage of the total pay bill.

22. 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. The attached Appendix C shows MRS as percentage of the total pay bill (excluding on-costs) for each directorate for 2015/16, 2016/17, 2017/18. The percentage for CBC has increased by 0.1% since 16/17 driven by the increased number of MRS payments in higher bandings.
23. It should be noted that service areas can move between Directorates and this can impact the ability to make meaningful comparisons throughout the years within individual Directorates.

Staff Turnover Rates

24. With a view to supporting retention as well as recruitment, the MRS policy provides for an MRS to be paid for a period of up to three years contributing to stability and confidence that the payment is on-going rather than a short term measure.
25. Appendix D details the percentage rate of voluntary staff turnover in those service areas where MRS payments have been paid over the last 3 financial years. The higher turnover rates reflect the competitive nature of the market for these hard to fill posts. Staff turnover figures can reflect a number of factors not just pay; including a move for personal reasons, dissatisfaction with their role, work pressure, frustration with work life balance and desire for progression. Turnover rates can also be impacted by the relative size of the team. It is not therefore possible to state with certainty that MRS directly improve retention rates; merely that it can be a contributing factor.

Corporate Priorities

26. 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

27. 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

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

Equalities Implications

29. 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

30. 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 2015/16, 2016/17 and 2017/18.
- Appendix D - Market Rate Supplement analysis staff turnover information for 2015/16, 2016/17 and 2017/18.

Background Papers

None.