

BADENOCH & CLARK

H1 Local Government Market Outlook

2017





Contents

p 4

Overview

p 6

Local Government Executive

p 8

Social care

p 10

MSP/Contracts

p 11

Get in touch



Overview

Brexit

While Brexit has not heavily impacted Local Government to date, there is a degree of nervousness around the council's reliance on EU workers – particularly with regards to unskilled and manual jobs. Local authorities need to retain numbers here, but with an estimated 30% of their workforce comprised of non-British nationals, they could be facing a very real challenge.

Budgets

As a result of budgetary cuts, councils have had to make efforts to be more innovative and self-sustaining as authorities. They want to continue to be self-sufficient, without relying on government hand-outs; challenging indeed when we consider that 62% of public sector organisations have seen their financial situation get worse in the last 12 months, and 63% expect it to get worse in the next 12 months (Labour Market Outlook Report – Spring 2017, CIPD & ADG).

Devolution

With a desire for more autonomy over the running of their public services, local authorities are looking to become devolved from central government. They've made efficiencies and redundancies, but when it comes to running specialist projects, they'll need the right talent in place to really drive them forward. A solid recruitment partner, like Badenoch & Clark, can offer tangible solutions to challenges around efficiency.



63%

of all public sector organisations employ EU nationals

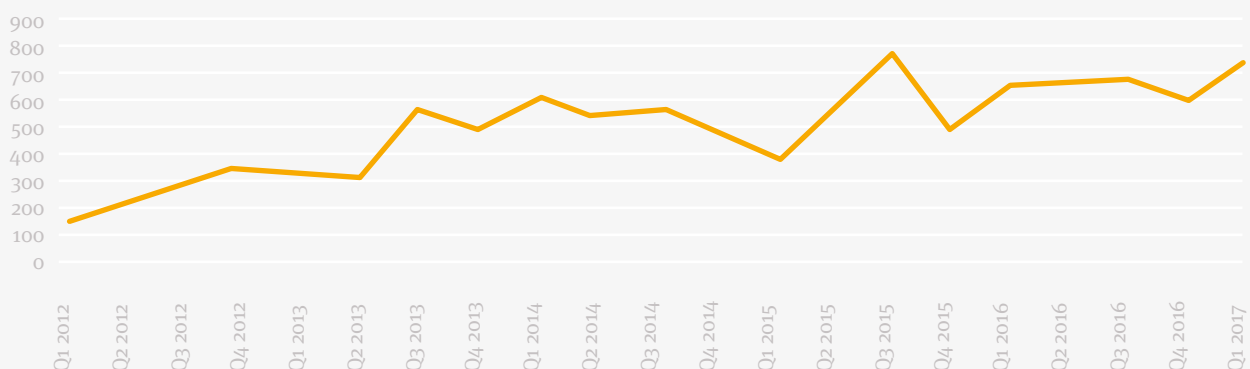


80%

UK nationals account for 80% of the workforce on average; EU nationals account for a further 15%

Source: Spring's Labour Market Outlook report, released by the Adecco Group UK & I and the CIPD

PUBLIC SECTOR VACANCIES REQUIRING CHANGE MANAGEMENT AS A SKILL



Niche project management

Local authorities will always face a challenge in attracting private sector candidates for niche projects; therefore, the candidate pool is restricted to those who possess Local Government experience. Although local authorities can boast strong networks, an agency such as Badenoch & Clark can add real strategic value and an insight into the project talent that is currently available within the sector.

IR35

The main challenge facing local government since the implementation of IR35 is a potential talent drain: people can typically command substantially more money in the private sector, and we're likely to see a talent fallout in the public sector as a result.

Post IR35, we've seen people trying to renegotiate rates. In some cases, councils will attempt to retain top performers – but many won't change their stance and break the wage cap as a result of IR35. If IR35 is rolled out to the private sector it could re-balance the scales, but the private side would still be in a stronger position given that they now know the percentages within the public sector.

Consultancy solutions

Consultancy solutions are gaining popularity within public sector organisations. Something as simple as employing an interim on statement of work affords councils the opportunity to get more out of their contractors and the value they bring. As it falls outside of IR35, the business has autonomy over the process – making it likely that this will become a more prominent method of recruitment within local government.

Badenoch & Clark has a bench of contractors across the UK, making us far more mobile than some of the larger consultancies. By building a long-term relationship with our clients, we can better understand challenges and provide a reliable pipeline of talent.

Managed solutions success

Badenoch & Clark recently supported Wolverhampton council on a digital transformation programme – providing executive search for two social care roles, and making 45 interim placements. Working closely with Yoo Recruit – their internal recruitment team – we are now their recognised recruitment partner of choice. And with the backing of Adecco Group, we can deliver a full MSP service to the council.

Summer slowdown

With 77% of public sector organisations having no plans to recruit in the next three months, we'd strongly advise our clients that the quiet period is a prime time to get ahead in the war for talent and steal a march on the competition before normal service resumes later in the year. And with 31% of public sector organisations planning redundancies within the next three months, talent will be flooding the market (*Source: Labour Market Outlook Report – Spring 2017*). Local authorities are always on the lookout for talent from outside of the public sector – particularly those professionals with commercial experience, so we'd expect to see this trend continue throughout the remainder of the year.

Political uncertainty

At the time of writing, the United Kingdom is facing a significant period of political uncertainty. With an impending coalition it is difficult to say whether the remainder of the year will continue in the same vein as H1. What we do know is that change is inevitable in local government and whilst brexit hasn't had too much of an impact on recruitment behaviour to date, it will inevitably impact budgets and spending in the near future.

Regardless of the agreement reached to form the next UK government, our prediction is there will still be a large focus on new ways of delivering better public services through more efficient models and resources. To achieve this, there will be a significant need for additional skills and the right personnel.

If IR35 is rolled out to the private sector it could re-balance the scales

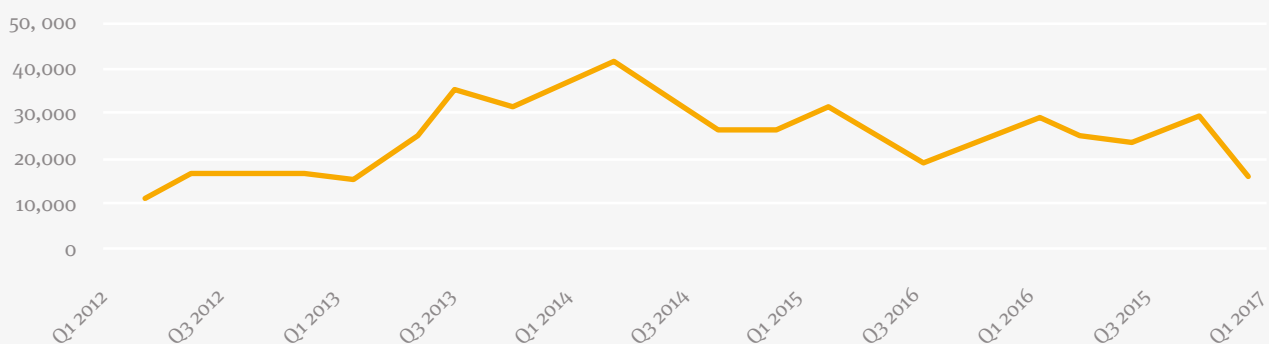
Local Government Executive

The final quarter of 2016 tailed off slightly, but the beginning of 2017 showed 20% year on year growth as we supported a number of transformation projects, with particular focus on corporate change in areas such as business process redesign, better contract management, and income generation – as well as a consistent level of requirement to continue the development of social care integration and improvement. January through March is always our busiest period as councils work towards the financial year end, but there are certain areas that remain consistent throughout the year, such as social care due to the pressure to continue to improve, integrate and innovate.

Contracting in the executive space was heavily affected by IR35 at the end of March, with many of those who didn't have to work deciding it wasn't worth their while – particularly in areas such as finance with seasoned interims choosing to retire instead. In some cases, councils have gone to great lengths to retain certain contractors – especially mid-project – by meeting salary demands; although achieving sign off remains a lengthy process. Post-IR35, we have seen a number of IT contractors move out of the public sector, as their skills are easily transferable to the private space.

Contracting in the executive space was heavily affected by IR35 at the end of March, with many of those who didn't have to work deciding it wasn't worth their while

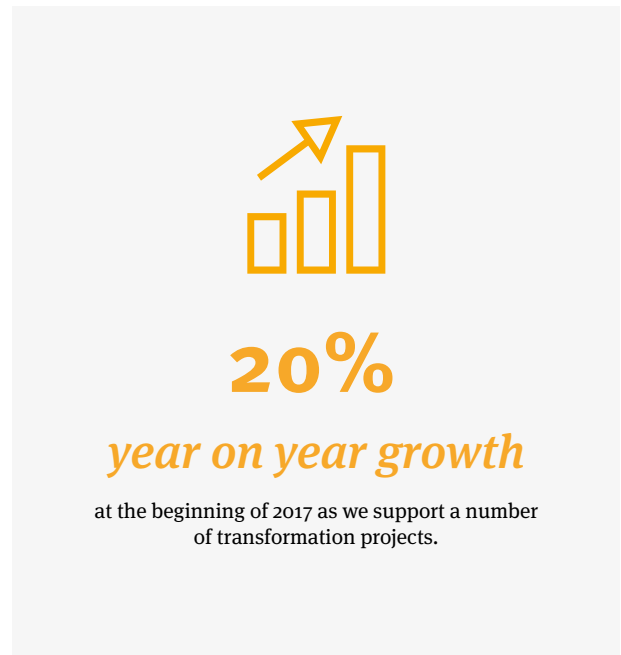
COUNCIL VACANCIES BY QUARTER



Candidates are in a slightly better position than they were 12 months ago when it comes to negotiating remuneration, although this is largely in those areas with a shortage of talent, such as commissioning or strategic level social care posts. Specialist talent in local government will always have the bargaining power, however some of the generic roles that fit within standard structures have had to accept the change and take the hit.

Positive movements have been made in some cases with authorities starting to think differently about how they engage with interims - adopting more of a consultancy practice based on outcomes and deliverables which also allows them to accept a substitute instead of contracting with one individual. This is beneficial to authorities as they have two skill sets for the price of one, and beneficial for the candidate as they are out of scope of IR35.

In terms of skills, we're currently seeing a heavy focus on commercialism within the public sector space; authorities want to know what value candidates can deliver, along with their achievements at previous companies and how they can bring new ideas to the table. The recruitment process therefore focuses more so on what a candidate can deliver, rather than being a call for 'bums on seats' to maintain staffing levels. The demand for managers, directors and senior officials in local councils was also up 17.5% in the first quarter of 2017 against the same period last year, (Source: Burning Glass Technologies) but we are seeing a decided shortage of director-level candidates in the market.



In terms of skills, we're currently seeing a heavy focus on commercialism within the public sector space; authorities want to know what value candidates can deliver, along with their achievements at previous companies

Social care

Brexit hasn't affected the social care space, as the majority of social care workers are British nationals. What's more, a consistent national shortage means the sector typically remains busy, with demand for candidates always present. Notably, human health and social work vacancies were up 10% year on year in the first quarter of 2017 (Source: Burning Glass Technologies).

The effects of IR35 were however felt strongly in this space, with 95% of workers affected, and almost all authorities saying they will not make up their workers' shortfall in pay. As a result, we've seen a 200% increase in contractors accepting permanent positions if they are inside of IR35. However, if wage increases are non-negotiable, the only real option is for authorities to offer increased annual leave to sweeten the deal.

March saw the approval of a £2 billion government-injection: £1bn for 2017-18 and £1bn for 2018-20. However, this still only covers half of the funding gap for the coming year according to the Nuffield Trust, King's Fund and Health Foundation think-tanks.

In a much bigger shake up of the social care space we are facing the potential introduction of an accreditation system for children's workers issued by the Department of Education. When going for a promotion under this system, candidates must hold the necessary accreditation, which takes a year to complete. Furthermore, the system will promote permanent employees above locums to achieve this accreditation; thereby encouraging candidates to become permanent and to stay within the same Local Authority – meaning an overall cost saving, and the improvement of skillsets across the nation.

TOP SIX MOST DESIRABLE SKILLS IN THE HUMAN HEALTH AND SOCIAL WORK INDUSTRY IN THE LAST 12 MONTHS:

(Source: Burning Glass Technologies)

| SPECIALISED | BASE SKILLS |
|-----------------------------|---------------|
| Mental Health | Communication |
| Patient Care | Organisation |
| Care Planning | Planning |
| Teaching | Collaboration |
| Caregiving | Leadership |
| Medical Industry Background | Research |

But what of demand? Historically, frontline child services was rife with candidate shortages; however, over the years the status quo has somewhat turned on its head, and it is now adult services suffering a candidate deficit. This is largely as a result of frontline children services commanding better pay rates; allowing them to attract graduates over and above adult services. Adult services typically encounter additional pressures throughout the winter months in the face of this talent shortage – placing a notable strain on the sector when demand exceeds supply. Occupational therapists are also notoriously difficult to recruit, and we expect this to continue throughout 2017.

For the remainder of the year we expect it to be ‘business as usual’; although the social care space is potentially one of the only sectors where pay rates could be increased. On this note, the market is, and will continue to be, candidate-led; it will therefore be interesting to see what some authorities do to steal a march on their competition as the war for talent rages on. We also anticipate that candidates who went permanent post-IR35 may well return to contracting once the dust has settled.



10%

year on year growth

in human health and social work vacancies in the first quarter of 2017 (Source: Burning Glass Technologies)

The social care space is potentially one of the only sectors where pay rates could be increased.

MSP/Contracts

Following a similar pattern to that of social care, Brexit hasn't affected the MSP/contract space much as of yet; it's IR35 which has had the biggest impact.

The area hasn't seen much in the way of salary increases so far this year, and this is set to continue throughout 2017. As with the social care sector, we've also seen a circa 200% increase in contractors accepting permanent roles - mainly due to the benefits of a pension being more attractive than they were previously.

What we are seeing is a lot of competition from housing associations, with many candidates moving over to this sector because it falls outside of IR35 – but this could change. A large proportion of these roles are in Housing Options; these are only serviced by councils, so it will be interesting to see if there are any pay increases in the coming months. Currently, the only possibility within this area for being considered out of scope is within homelessness reviews for some boroughs where independent working takes place. Candidates within this space are in huge demand.

In terms of skills shortages, there is a deficit of planners at present – predominantly due to the private sector stealing a march on this area of talent. Many planners from the private sector have however taken retirement and entered local authorities as temps, where they are somewhat able to dictate pay. We are also seeing a shortage of environmental health officers.



We are seeing is a lot of competition from housing associations, with many candidates moving over to this sector because it falls outside of IR35.

In terms of skills shortages, there is a deficit of planners at present – predominantly due to the private sector stealing a march on this area of talent.

Get in touch

If you'd like to discuss your recruitment needs or the next stage of your career in more detail, please don't hesitate to get in touch with one of our experienced recruitment professionals:

HEAD OF BADENOCH & CLARK LOCAL GOVERNMENT

Jonathan Rayfield

Associate Director,
Local Government & Social Care

07515 197 909

Jonathan.rayfield@badenochandclark.com

EXECUTIVE

Gemma Parlor

Business Manager,
Local Government - Interim

0115 958 6777

gemma.parlor@badenochandclark.com

SOCIAL CARE

Lorna Wilson

Manager,
Health and Social Care

0207 634 0368 | 07540158417

Lorna.wilson@badenochandclark.com

MSP/CONTRACTS

Cassandra Parsley

Senior Manager,
Local Government

020 7634 0408 | 07770700440

Cassandra.parsley@badenochandclark.com

Our offices

Birmingham

5th Floor,
35 Livery Street,
Birmingham, B3 2PB
+44 (0)121 234 9200
birmingham@badenochandclark.com

Brighton

Ground Floor,
34 West Street,
Brighton, BN1 2RE
+44 (0)1273 628 243
brighton@badenochandclark.com

Bristol

101 Victoria Street,
Bristol, BS1 6BH
+44 (0)117 930 8534
bristol@badenochandclark.com

Cambridge

53-54 Sidney Street,
Cambridge, CB2 3HX
+44 (0)122 341 7000
cambridge@badenochandclark.com

Edinburgh

3rd Floor, The Capital Building,
13 St Andrew Square,
Edinburgh, EH 2AF
+44 (0)131 524 9020
edinburgh@badenochandclark.com

Glasgow

20 Blythswood Square,
Glasgow, G2 4BG
+44(0)141 220 6460
glasgow@badenochandclark.com

Leeds

1st Floor, Civic Court,
Calverly Street,
Leeds, LS1 3ED
+44 (0)113 231 4545
leeds@badenochandclark.com

London Head Office

Millennium Bridge House,
2 Lambeth Hill,
London, EC4V 4BG
+44 (0)20 7634 0100
londoncity@badenochandclark.com

Manchester

12th Floor, Lowry House,
17 Marble Street,
Spring Gardens
Manchester, M2 3AW
+44 (0)161 838 7920
manchester@badenochandclark.com

Milton Keynes

Part 2nd Floor,
Chancery House,
199 Silbury Boulevard,
Milton Keynes, MK9 1JL
+44 (0)190 820 2700
miltonkeynes@badenochandclark.com

Newcastle

7th Floor, Earl Grey House,
75-85 Grey Street,
Newcastle upon Tyne, NE1 6EF
+44 (0)191 269 9520
newcastle@badenochandclark.com

Nottingham

2nd Floor Angel House,
12-13 Cheapside,
Nottingham, NG1 2HU
+44 (0)115 958 6777
nottingham@badenochandclark.com

Reading

3rd Floor, St Mary's House,
Reading, RG1 2LG
+44 (0)118 959 1800
reading@badenochandclark.com

© Badenoch & Clark 2017. All rights reserved. The information contained in this publication is intended for general purposes or guidance only. It does not purport to constitute professional advice. Badenoch & Clark accepts no liability for the accuracy of the contents or any opinions expressed herein.