

DOCUMENT INFORMATION

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Market Rate Supplement Policy

1. Introduction and purpose

- 1.1 The Council aims to develop, maintain and implement pay and reward arrangements which enable it to recruit and retain staff with the skills and capabilities required for the provision of high quality services, whilst at the same time ensuring cost effectiveness and providing value for money.
- 1.2 When determining remuneration levels of specific posts the Council uses the Greater London Provincial Council's (GLPC) job evaluation scheme to establish the appropriate band on the Council's pay and grading structure. The job evaluation scheme does not take into account market factors such as market pay rates relating to specific jobs or fluctuating demand for skills in the marketplace. The Council recognises therefore, that there may be occasions where it is necessary to pay a market rate supplement in addition to base salary in order to recruit or retain staff.
- 1.3 Base salary is only one of a number of components of our employment package and by no means the only factor which influences the Council's ability to recruit or retain staff.
- 1.4 The Council wishes to ensure that a clear and systematic process is followed in considering the potential for a market rate supplement and for identifying the relevant 'market rate' for any specific post, or group of posts. This policy sets out the stages of that process and the considerations that must be taken into account, both initially and at every subsequent two-yearly review. This will ensure that a consistent approach is applied across the Council with regard to:
- the circumstances in which a market rate supplement is considered,
 - the monetary value of any supplement, and
 - the duration of the supplement and the review period that will apply.

2. Scope

- 2.1 This policy applies to all employees of the Council equally whether employed on a permanent, temporary or fixed-term basis.

3. Principles and criteria

- 3.1 The following principles will apply to any market rate supplement in payment or introduced under this policy.

- Any market rate supplement must be objectively justifiable and based upon a genuine material factor and a real business need relating to a specific role/s and not related to gender.

- Market rate supplements should be used in exceptional circumstances only.
- Market rate supplements must only be considered where it has not been possible to resolve the issues of concern through the Council's normal job evaluation and grading processes.
- A proposal for the introduction or review of a market supplement must be supported by a robust, clearly evidenced business case signed off in accordance with the authorisation process set out in this policy.
- Market rate supplements will be reviewed every two years.
- Market rate supplements will be time-limited. The standard period will be two years. The supplement will expire at the end of the agreed time period, unless extended by the outcome of a review.
- Market rate supplements may go up or down or be removed as a result of a review and will not be subject to any Council pay protection policy.
- Contractual notice (up to three months) of any change to a market rate supplement in payment will be given see section 6. Reduction or withdrawal of a market supplement.
- Where a market rate supplement is introduced for a particular post it will typically apply to all existing employees in that post. In exceptional circumstances a market supplement may be introduced for an individual in a post but may not apply to all post-holders. In this situation the business case must demonstrate that the proposal is made on robust evidence that is non-discriminatory. Evidence must include the need for a post-holder to operate in a specific work context, which requires specialist knowledge and/or experience which is not required by other post-holders.
- If a post attracting a market rate supplement is subsequently re-graded to a higher grade, the market rate supplement will be reduced by an equivalent amount, or removed entirely if the base salary increase is greater than the existing supplement payment.
- Market supplements will not be increased in line with annual pay awards.
- Market rate supplements should be paid as a clearly identifiable and separate supplement to basic pay.
- The cost of market rate supplements will be met from service budgets and cost associated with market rate supplements should be included as part of the annual budget preparation process.
- For employees in receipt of pay protection, any market supplement added to the substantive grade will be reduced by the element of protected salary.

3.2 Any application for a market rate supplement must be supported by a clearly documented and evidenced rationale (Pro-forma in Appendix A) and will only be paid where sufficient and suitable evidence is provided in accordance **all three** of the qualifying criteria:

1. **There should be clear evidence of pay-related recruitment and/or retention difficulties, by reference to one or more of the following indicators:**
 - **turnover rates in the specific job group; and/or**
 - **responses to job advertisements or other recruitment actions; and/or**
 - **qualitative assessment of job applicants.**
2. **There should be clear evidence of the impact on service provision and delivery as a result of any failure to recruit and/or retain the appropriate number, level and quality of staff.**
3. **There should be clear evidence that the Council's pay rates for the defined post, or group of posts, falls below the required level in relation to the comparator market (see 3.3 below for guidance) salaries. The 'required level' will be determined by the Council according to the circumstances at the time**

by reference to the needs of the service/job group and the relevant market data.

3.3 The relevant comparator market will be determined by the particular type and level of post/s being considered and will take into account the following:

- the employment sector, i.e. County/Unitary/City/Borough/District Council, wider public sector, voluntary/charitable sector, private sector
- the geographical region, i.e. local, regional, national. This will mainly be determined by the typical area from which the staff are likely to be recruited and the organisations regarded as competitors for those staff
- the size/resources and responsibilities of the organisation, i.e. number of employees, size of budget, nature of responsibilities, population served
- other labour market considerations, e.g. relevant employment statistics and other local economic factors
- the organisations regarded as the main competitors for particular types of staff/role

Care must be taken to ensure that as far as possible, the comparator posts are sufficiently similar to those within the Council in terms of the required knowledge, skills and responsibility requirements. The basis of comparison, i.e. whether this includes any elements of the reward package other than basic pay, should also be clearly identified. Account should be taken of any material differences in the relevant roles and employment/organisation context when considering the rates which apply within the comparator market/s.

Your HR Partner or Advisor can provide further guidance on obtaining appropriate and relevant market data, but please note that it is the line manager's responsibility to carry out the comparison work.

3.4 The post or group of posts for which a market rate supplement is proposed must be clearly defined and consideration given to the potential impact on any other existing staff within the defined job group. Where a supplement is agreed for a specific post, or group of posts, any existing post holder/s in the same job/s who are not already in receipt of a supplement, will also be entitled to this payment. Managers must ensure that this is taken into account when considering the financial impact of any proposed supplement.

Additionally, managers should consider how they will manage the impact of paying a market supplement that will be payable to some members of a team and not others. This will need to be handled sensitively, ensuring transparency whilst maintaining levels of openness and honesty.

3.4 Market rate supplements should normally only be considered after:

- other recruitment initiatives have been properly explored/exhausted, e.g. through the use of different/innovative/targeted advertising (or similar initiatives), ensuring the value of the total reward/employment package has been promoted to potential candidates
- other aspects of the Council's total reward/employment package have been fully utilised, e.g. the provision of learning or other development opportunities
- other measures to maintain service provision and delivery have been properly explored, e.g. changes to organisational and/or job design and/or alternative service/working arrangements

Evidence of these or similar considerations, actions and outcomes must be provided in the application for a market rate supplement.

Consideration should also be given to the wider service/employment context applicable to the particular occupational group to make sure the proposed supplement will address the underlying recruitment/retention difficulties. It may be that alternative actions are required, for example:

- do the difficulties indicate other concerns which are more appropriately dealt with through management action or non-pay measures?
- are the difficulties the result of a regional/national shortage in the occupational group which could be more appropriately addressed through new or alternative training or career pathways?
- Are there other ways of providing the service other than via an in-house arrangement?

4. Amount of market rate supplement

4.1 The amount of any market rate supplement will be assessed by reference to the comparator market range and the equivalent grade range within the Council, as determined by job evaluation, and the extent of the difference between them. Account should also be taken of any additional allowances that apply to the relevant Council and comparator posts. The amount of any supplement will be set at a level which ensures that the overall remuneration for the post/s enables the recruitment/retention of the relevant staff, but no more than is considered necessary for this purpose and/or is cost effective.

4.2 In undertaking its assessment the Council will determine where it wishes to place itself in relation to the comparator market, whilst having regard to its Pay Policy. The market positioning may vary according to the particular type or level of post and the specific difficulties in terms of recruitment or retention experienced.

4.3 Any supplement will be paid as a fixed amount, in addition to the substantive salary, and will not be subject to any incremental progression or cost-of-living increase.

4.4 Market rate supplements are pensionable.

5. Application and approval

5.1 Any application for consideration of payment of a market rate supplement must be submitted to the HR and Business Improvement Manager by the relevant Executive Head of Service, on the pro forma in Appendix A. The HR and Business Improvement Manager will consider the proposal and make their recommendation and any comments on the form. The form should then be returned to the Executive Head of Service who will take it to Corporate Management Team for consideration and approval. The Managing Director or her nominated deputy will sign off the final authorisation. In the event that the proposed market rate supplement is for a post at Executive Head of Service level or above, the Employment Committee will be required to authorise the payment.

5.2 Unless otherwise agreed the cost of any supplements must be met by the employing service within existing budgets.

5.3 Market rate supplements will be paid through payroll as a clearly identified separate payment in addition to the substantive salary and will be subject to the relevant statutory deductions.

5.4 The supplement will be authorised for a defined period of time, usually two years, and at the end of this period payment will automatically cease unless otherwise agreed. Prior to the end of this period a review must be undertaken against the criteria set out in this policy to determine whether or not continued payment is justified. A cost-of-living increase may be applied to the supplement at the time of the review if it is agreed that it is appropriate to do so. The line manager of the post/s concerned is responsible for ensuring that the review is completed.

5.5 The employee/s will be formally notified in writing of approval of a market rate supplement and the conditions attached to it by their HR Advisor.

5.6 When advertising and recruiting to any post/s for which a market rate supplement has been agreed, the supplement should be clearly identified as a separate amount, making clear that it is time-limited and subject to review.

5.7 The relevant HR Advisors are responsible for ensuring that appropriate monitoring arrangements are in place in respect of those posts in receipt of a market rate supplement in order to identify the date/timing of their reviews at the specified interval/s.

5.8 The HR team will be responsible for monitoring the overall application of this policy to ensure that it is being applied fairly and consistently. This will include the monitoring of the use of market rate supplement by gender and other relevant protected characteristics for which the Council holds data. This is to ensure that no discrimination is occurring in the way in which the supplements are being considered and applied.

5.9 The HR and Business Improvement Manager will inform Unison when the payment of any market rate supplement has been agreed.

6. Reduction or withdrawal of a market rate supplement

6.1 Market rate supplement payments may go up or down or be removed as a result of the review process and will not be subject to pay protection.

6.2 Where as the result of a review a market rate supplement is to be reduced or withdrawn, this will take place with immediate effect for new employees joining the Council. Employees in receipt of a market supplement will receive contractual notice (up to three months) of any change to the supplement payable as the result of a review.

6.3 Where an employee in a post eligible for a market rate supplement applies for, and is appointed to a post not eligible for a supplement (or a reduced supplement), the market rate supplement will cease/reduce with effect from the date of appointment to the new role. The exception to this is when the change in post is as a result of re-deployment where contractual notice (up to three months) will be given.

7. Equality Impact Assessment

7.1 The Council has conducted a scoping Equality Impact Assessment on this policy and is satisfied that its application should not result in a differential and negative impact on any groups of employees identified under the protected characteristics: gender, race, disability, age, sexual orientation, religion or belief, marriage or civil partnership, pregnancy and maternity, gender reassignment.

Appendix A

MARKET RATE SUPPLEMENT – RECOMMENDATION FOR PAYMENT

This form must be completed by the recruiting manager and endorsed by the Executive Head of Service. It must then be sent to the HR and Business Improvement Manager who will make any comments before returning it to the Executive Head of Service who will take it to Corporate Management Team for their approval.

Recommendation for market rate supplement made by.....
(Executive Head of Service)

JUSTIFICATION FOR PAYMENT

The application must be fully supported with evidence which satisfies the criteria which are set out in the Council's Market Rate Supplement Policy.

1. Identify the post or group of posts for which the market rate supplement is proposed, include:
 - post number
 - post title
 - pay band
 - number of post holders (include and identify any vacant posts)

2. Detail all evidence of pay-related recruitment and/or retention difficulties for the post/s specified. For example:
 - number of times the post/s has been advertised with dates
 - number of responses to the job advertisements
 - qualitative assessment of applicants
 - turnover statistics for the post/s
 - any supporting data from exit interviews (anonymous)

3. Provide evidence of market-based salary comparisons with competing local/regional employers (both private and public sector) where appropriate.

4. Please detail any other recruitment initiatives explored/exhausted.

5. Provide details of other measures you have explored, e.g. changes to the role, flexible working options, partnership working.

6. Explain how the payment is essential to maintaining adequate staffing levels to ensure service delivery requirements are met? Include any legal implications.

7. How will you address the impact this payment will have on other staff in the team/service?

8. Amount of payment recommended (per annum), including rationale and calculations.

Signature: Executive Head of Service..... Date:.....

Comments from HR and Business Improvement Manager

Signature of HR and Business Improvement Manager.....Date.....

Authorisation

I authorise payment of a market rate supplement as recommended above.

Amount of payment:.....per annum, to be paid in equal monthly instalments.

Signature of Managing Director..... Date.....

Comments from CMT & Managing Director:

e.g. if review period is different to the standard two years or any amendments have been made to the detail of the original recommendation.