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# Market Supplement Policy

SHARED SERVICES

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Council of the  
ISLES OF SCILLY

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May 2017

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## REVISIONS TO SOURCE DOCUMENT

Version		Approving Committee	
Date		Ratified by Council	
Responsible Officer	SO:SS	Review Date	April 2018

## VERSION HISTORY

Date	Version	Author/Editor	Comments
2013	1.0	HR+OD Manager	Current policy
April 2017	1.1	SO:SS	Revised to current titles
May 2017	1.2	SO:SS	Review of current policy
May 2017	1.3	SO:SS	Amendments following SCG, CLT and inclusion of legal advice

## EQUALITIES IMPACT ASSESSMENT RECORD

Date	Type of Assessment Conducted	Stage/Level completed (where applicable)	Summary of Actions Taken Decisions Made	Completed by.	Impact Assessment Review date

## DOCUMENT RETENTION

Document retention period	
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### Law relating to this document

Employment Rights Act 1996  
Income Tax (Earnings and Pensions) Act 2003  
Equality Act 2010

## 1 POLICY

The Council of the Isles of Scilly (The Council) is committed to the principles of single status employment and seeks to ensure employees receive equal pay for work of equal value.

Market supplements are a way of tackling recruitment and retention issues by temporarily increasing the pay awarded to a post, without altering the job evaluation determined grade for that post. The market supplement, being post-related, is not a payment relating to the performance or merit of an individual.

In exceptional circumstances and following criteria checks, market supplements may be agreed to ensure the effective recruitment and retention of employees, to pay individuals and/or groups of employees a premium rate to reflect the market competitiveness of the job.

In contemplating the application of market forces supplements, the Council shall have due regard for any equalities implications and these shall be addressed.

Where it is viewed that there may be a case to award a market supplement, the procedures and practices within this policy are to be implemented.

## 2 PRINCIPLES

Any market supplement shall be provided for in the appropriate departmental budget and be objectively justifiable and applied according to the following principles:

- Market supplements will normally only be considered for posts identified as 'hard to fill or retain'.
- It cannot be assumed that simply because other employers offer higher salary levels than that of the Council of the Isles of Scilly, that the Council will necessarily be able to follow suit. The Council will take into account similar local authorities and national, regional and local salary information.
- Market supplements are not permanent additions to salaries and are designed to address particular circumstances which may relate to recruitment difficulties.
- Market supplements will normally be applied for up to two years, reviewed annually and consequently will be withdrawn should the review demonstrate that current evidence does not justify a supplementary payment continuing.
- Market Supplements should also be reviewed where a post is in receipt of a market supplement and is regraded following job evaluation, to assess whether there remains the need to pay the supplement or vary the amount.
- Employee expectations of market supplements need to be managed and, before a market supplement is awarded, an employee must agree to and sign an amendment to their contract of employment (An example of this form can be viewed at Annex 2).
- If a market supplement is to be introduced to a specific post or group of posts, all existing employees in that post(s) will be entitled to receive it. A payment could be made to an

individual in a post but only in rare and exceptional cases where there is clear and non-discriminatory rationale for distinguishing this post from the others undertaking a similar role. The law requires that to ensure equal pay principles, market supplements are only awarded in cases where a 'genuine material difference' can be demonstrated. A judgement in consultation with Human Resources, the Corporate Leadership Team and the Trade Unions will be made as to whether or not it will apply to other posts.

- Market supplements are attached to posts but are of course influenced by a postholder's circumstances. Where an employee moves to a post that does not attract a market supplement then his or her entitlement to that payment will stop.
- Under no circumstances should market supplements be used to reward an individual's performance in post.
- Market supplements will be highlighted as part of an employee's salary when mortgage application references are being completed and total income calculations are being carried out.
- Market supplements should be clearly indicated in job advertisements as an amount separate to basic pay and identified as time limited and subject to review.
- Market supplements will not be subject to annual pay awards, cost of living pay increases or incremental progression.
- Market supplements are paid monthly and are subject to any relevant statutory deductions, such as tax and national insurance and pension contributions, where applicable.
- As market supplements are not consolidated into the post-holder's salary, they are not used in calculating overtime or enhancement payments, maternity/maternity support leave or parental leave. However, sickness and holiday will include the market worth element.
- There will be no entitlement to have market supplements taken into account in the calculation of redundancy payments.

### 3 JUSTIFICATION FOR MARKET SUPPLEMENTS

All applications for market supplements must demonstrate a clear rationale for their payment, supported by evidence (See Annex 1). The post or group of posts in question must be identified along with the number of post-holders, including current vacancies.

The post(s) should be checked against the role profiles to ensure job evaluation is evident. If there is evidence of grading appeals to indicate that posts have been incorrectly evaluated and graded or significant change to the role profile, job evaluation should take place prior to advertising the posts.

When considering market supplements, the Corporate Leadership Team will apply the following criteria:

- i. Evidence of pay related recruitment (see Annex 1) and/or retention difficulties including;

- a. turnover rates in the specific posts; evidence of high employee turnover in the last 12 months demonstrated (from leaver questionnaires or any other evidence source) to be linked to the salary level paid.
  - b. responses to job advertisements or other recruitment initiatives; a job will have had to be advertised externally on at least one previous occasion with an unsatisfactory response, the HR team will follow this up to establish the reason for the poor response (as it may not be about salary levels - it could be other factors, such as accommodation).
  - c. qualitative assessment of job applicants;
  - d. details of other measures taken to boost recruitment and/or improve retention and the outcome.
- ii. An explanation, with evidence, of the impact on service provision and delivery which would result in failure to recruit/retain the number, level and calibre of staff required.
  - iii. Clear evidence that the Council's rates of pay for the defined post or group of posts fall below the required level in relation to the comparator market. The 'required level' would need to be determined and taking account of relevant market data, the needs of the service.
    - a. Evidence that more substantial remuneration packages are available for the specified post (or group of identical posts) within the appropriate local, regional or national marketplace.
    - b. At least three examples of comparable jobs, salaries and summary of main duties will be required. The Section Head will be responsible for researching this, together with advice from Human Resources.

All three criteria should be met.

## 4 PROCEDURE AND APPROVAL

The need for a market supplement can be identified by either the designated manager, Senior Manager or Human Resources.

### 5.1 STEP ONE

Whoever the need is identified by, it will be the responsibility of the Section Head to put forward a business case for applying a market supplement using the criteria set out in section 3 above to Human Resources. An example Application for Approval for Payment of a Market Supplement can be viewed at Annex 1, for use of the identifier.

Market data will normally need to be collated from external agencies to provide evidence and support for both the need for a market supplement and the proposed amount of that supplement.

The market supplement must be capable of being objectively justified from an equal pay perspective, i.e. it will be evidence based.

## 5.2 STEP TWO

Human Resources will consider and make recommendations as to the appropriateness of the proposal, in consultation with the Senior Manager and Trade Unions.

## 5.3 STEP THREE

The final decision will be taken by the Corporate Leadership Team or appropriate members of it.

Market supplements will need to be funded from within existing departmental budgets where ever possible and will be subject to Senior Management Team approval to ensure oversight and strategic governance of key roles.

## 5.4 STEP FOUR

If the market supplement proposal is agreed, all employees entitled to receive it must be notified in writing of its approval and the conditions attaching to its payment.

The Council will require the recipient(s) to sign an Amendment to Contract of Employment Form before the supplement can be paid (Annex 2). If the recipient refuses to sign the Form they will forego the supplement on a pro rata basis until such time as they sign the Form.

When advertising and recruiting to any vacant post for which a market supplement is paid, the supplement should be identified as a separate amount which is time-limited and subject to review.

## 5 PAYMENT

A market supplement is expressed as a fixed cash sum allowance, following assessment of the differences between the comparator market range. The market supplement will not be subject to annual cost of living pay awards or the difference between Spinal Column Points and will be paid in the normal way through the payroll by equal instalments at the employee's normal pay intervals. For part time employees it will be calculated pro-rata to the hours worked.

The supplement only affects the total pay that the post attracts, for the period it is applied and under no circumstances will it alter the substantive grading of the post determined through the job evaluation process.

The allowance will be paid for an appropriate period which would normally be for a period of one or two years. The supplement will be subject to annual review and either withdrawn, confirmed or reduced for a subsequent period of no more than one year. This review process will continue on an annual basis until such time as the supplement is withdrawn.

Market supplements are not subject to pay protection.

Where a post-holder in receipt of a market supplement payment is promoted or changes jobs to a post not in receipt of a market supplement, or moves voluntarily to a post with a lower or no supplement, the payment ceases or reduces with effect from the date the appointment is made. Where the change in post is a result of re-deployment at the instigation of the employer, contractual notice of the withdrawal or reduction of the payment is given as with any other changes to the contract.

## 6 REVIEW OF MARKET SUPPLEMENTS

Human Resources will maintain a database of all market supplements that are approved, and report to the Corporate Leadership Team annually on each supplement. It is the responsibility of the Head of Service who initiated the need for the market supplement to ensure that it is reviewed in time for its renewal or discontinuation.

Reviews will take place in the following circumstances:

- a) At least three months prior to the end of the first year, the justification for the market supplement will be reviewed. The same timescale will also apply in each following annual review. Human Resources will notify the appropriate Section Head when a review is due. The Section Head will undertake a review of the market place related to that post, and present the findings to Human Resources in line with the procedure set out in Section 4.
- b) Whenever a post is re-evaluated through the Job Evaluation process.
- c) When an individual leaves a post that has attracted a market supplement and the post is to remain on the establishment list, in order to assess the need to advertise the vacancy with a market supplement in the current labour market. Where such a review leads to a decision to withdraw or reduce the market supplement, this will apply with immediate effect to vacant posts. Existing employees still in receipt of a market supplement will receive 3 months' notice and will continue to be paid at the original rate until the end of the notice period and thereafter, it will be reduced or withdrawn as appropriate.
- (d) Reviews will also consider the implications of any pay awards made at national or local level.
- (e) Where a post changes or is downgraded, to ensure that the payment remains justified.

Employees will receive three months' notice if the market supplement is being withdrawn, or reduced, and the reasons for this decision.

If a review indicates that the market supplement is no longer justified, it will be withdrawn. In these circumstances, three months' written notice will be given that the market supplement is being withdrawn or reduced. If the employee finds this unacceptable he or she has the right to appeal in the usual way following the agreed Grievance Procedure.



## COUNCIL OF THE ISLES OF SCILLY

### APPLICATION FOR APPROVAL FOR PAYMENT OF A MARKET SUPPLEMENT

This form is to be completed by the line manager, signed by the Senior Manager and forwarded to Human Resources for final authorization of the Corporate Leadership Team. Please complete all sections.

#### POST DETAILS

Post Title:

New or existing post: **Choose from drop down list**

Number of staff in this post (including vacant posts):

Business Unit: **Choose from drop down list**

Grade:

Salary Range:

Total amount of market supplements requested:

Period for which the payment is sought: **Choose from drop down list** and/or months

Indicate the type of application requested:

(a) a new market supplement  or (b) a continuation of an existing one

#### 1. JUSTIFICATION FOR PAYMENT

This section must contain evidence in support of the request for payment of a market supplement. **All boxes must be completed.**

2.1 Describe the job or group of jobs for which payment of a market supplement is requested. (Attach role profiles for all posts)

2.2 Please confirm that the evaluation of the post(s) has been checked recently to ensure it is up to date and correct: Confirmed

*(NB: This check must be carried out prior to making an application for approval of payment of a market supplement.)*

**2.3 What evidence is there of pay-related recruitment and/or retention difficulties?**

- i. **Number of times the post has been advertised** (attach adverts)
- ii. **Number of responses to job advertisements**
- iii. **Assessment of the quantity of responses** (e.g. inadequate, satisfactory)
- iv. **Assessment of the quality of responses** (e.g. below required standard, satisfactory)
- v. **Turnover statistics for the post/s**
- vi. **Supporting data from exit interviews, staff surveys or other feedback**
- vii. **Articles in professional bodies' journals, websites, press etc re skill shortages and/or evidence from national surveys (e.g. LGA surveys)**

**1.4 What evidence is there that pay (and not some other factor) is causing the recruitment/retention problems being experienced?**

**1.5 What other recruitment/retention initiatives have been tried/exhausted?** (e.g. changes in method/types of advertising, changes to information for potential job applicants)

**1.6 Have alternatives to paying a market supplement been considered (e.g. measures to resolve 'non-pay' issues underlying the recruitment/retention difficulties? If so, please specify.**

- **Is there a regional/national shortage for which new/alternative training schemes would be a more appropriate solution**
- **Are there issues within the occupational group, service or team that could be more appropriately resolved by management action?**
- **What other measures have been explored?** (e.g. appropriate changes to the role profile or responsibilities, changes to working arrangements, flexible working options)
- **Other comments?**

**1.7 Is filling the post(s) essential to maintaining adequate staffing levels to ensure service delivery requirements are met?** (include any legal implications and how long the post(s) have been vacant)

**1.8 Has the impact of making the payment on other staff in the team/service been considered and how do you intend to deal with this?**



**Authority/Organisation:**

**(c) Key requirements in the job description and person specification?**

**(d) How do they compare with the internal post(s)?**

**How does the 'comparable' post compare in terms of job size, type of organization, scope and responsibilities?** (e.g. local population, number of people directly supervised, number employed in service area, size of budget etc)

**Any other factors to consider?**

**What is the source of the above information? Please specify**

**and attach copies of:**

- Job description
  - Person specification
  - Organization chart ( if possible)
  - Job advertisement
  - Salary survey data
  - Other supporting evidence.
- 

**POST 3:**

**Post Title:**

**Grade:**

**Salary Range:**

**Other benefits:**

**Authority/Organisation:**

**(e) Key requirements in the job description and person specification?**

**(f) How do they compare with the internal post(s)?**

**How does the 'comparable' post compare in terms of job size, type of organization, scope and responsibilities?** (e.g. local population, number of people directly supervised, number employed in service area, size of budget etc)

**Any other factors to consider?**

**What is the source of the above information? Please specify**

**and attach copies of:**

- Job description
- Person specification
- Organization chart ( if possible)
- Job advertisement
- Salary survey data
- Other supporting evidence.

## 2. PAYMENT AMOUNT AND TYPE

Total amount of payment recommended per annum: £

Basis or rationale for the calculation of the payment:

If approved, how will the market supplement be paid? Choose from Drop down list

## 3. SOURCE OF FUNDING

Please specify (e.g. external grant funding, existing budget)

## 4. ANY OTHER COMMENTS

Include any additional information in support of this application not mentioned elsewhere

## 5. SIGNATURE OF LINE MANAGER MAKING THE APPLICATION

Signature:

Role:

Business Unit:

Date:

## 6. SENIOR MANAGER APPROVAL

I agree that the payment of a market supplement is appropriate in this instance; that all the necessary checks have been carried out in accordance with Council of the Isles of Scilly policies and procedures; and that all other avenues have been explored appropriately.

Signature:

Senior Manager:

## 7. APPROVAL BY CORPORATE LEADERSHIP TEAM

Date of CLT meeting:

Agreed: Yes  No

Details of any amendments and reason(s):

Signed:

*(for and on behalf of CLT)*

Role:

*Please return this form to Human Resources.*

## 9 FOR HR ADMINISTRATION

Date informed Manager of decision:

Effective date of payments:

Names of employees to be paid the supplement:

Date of letter informing employees of the decision with attached amendment to contract form

Review date:

Appointment made in diaries:



## COUNCIL OF THE ISLES OF SCILLY

### MARKET SUPPLEMENT AMENDMENT TO CONTRACT FORM

Any employee who is eligible to receive a market supplement in line with the Council of the Isles of Scilly Market Supplement Policy must agree to, and sign the contract amendment form below prior to any payment being made. Any refusal to sign this form will result in the employee foregoing the market supplement on a pro rata basis until the form is signed.

**Post:**

**Department:**

**Post holder:**

**Market Supplement:** £

**Payable with effect from:**

I have read and agree to the conditions of the Council of the Isles of Scilly's Market Supplement Policy.

I understand that this market supplement is time limited and reviewed on an annual basis. It may also be reviewed at any time when recruitment is taking place for a similar post or if my post is subjected to job evaluation.

I accept that the market supplement may be withdrawn or reduced in the circumstances by the giving of 3 months' notice which is subject to the notification procedure set out in the policy.

I understand that a market supplement does not alter the grade of my post, as determined by the job evaluation process. If at any time the grade of my post is changed, the market supplement will be reviewed as from the date of the change.

While I am being paid a market supplement, it will be pensionable. It will also attract tax and national insurance contributions. I accept that I am not entitled to have the market supplement taken into account in the calculation of any redundancy payments.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

*Please return this form to Human Resources.*