

Committee: FINANCE AND RESOURCES

Date: 30 MAY 2023

Report: MARKET RATE SUPPLEMENT POLICY REPORT

Purpose of report

1. To agree changes to the Authority's Market Rate Supplement Policy.

Recommendation

2. That Members approve the Market Rate Supplement Policy, set out in **Appendix A**.

Strategic Planning Framework

3. The information and recommendation contained in this report are consistent with the Authority's statutory purposes and its approved strategic planning framework, and specifically Corporate Action Plan Objective 33, to "Ensure that we have HR policies, procedures, terms and conditions to attract and support the right people with the right skills to deliver the work of the Authority effectively".

Background

4. The current Market Rate Supplement (MRS) policy was last reviewed in 2016.
5. Market rate supplements are only used in exceptional circumstances and can only currently be considered for a vacancy (recruitment supplement), when there has been a failed recruitment attempt.
6. Pay is only one of the benefits offered by the Authority and the overall employment package, including the pension scheme, leave entitlements etc. are promoted to current staff and within the recruitment pack when a vacancy is advertised.

Proposed changes

7. It has been recognised that the current MRS policy needs to be updated and amended to provide clarity to the current arrangements and facilitate other situations, particularly where the Authority is introducing roles that are identical to those in other organisations, and being funded by the same external funder, but our pay/grading structure means the role at the Authority is being paid less.
8. In addition, it has been identified that there is a need to introduce options for MRS payments to be available for roles that are currently filled, where identical externally funded roles (from the same funding source) are advertised at another organisation with a higher salary (retention supplement).

9. A review process has been incorporated within the proposed MRS policy, to ensure the payments are reviewed every 24 months, or earlier if market trends or pay awards close the previously identified gap in pay.
10. Other National Park Authorities have been asked to share their MRS policy, if they have one, in order for them to be compared with the proposed MRS policy. The amendments made to the MRS policy are in line with other National Park Authorities' policies.
11. The proposed changes have been shared and agreed with UNISON.

Conclusion

12. The revised MRS policy presented here will allow the Authority to enhance its position as a good employer, in conjunction with the range of other staff benefits and work-life flexibilities available to staff.

Vikki Thomas
Head of HR

11 May 2023

Appendix A

MARKET RATE SUPPLEMENTS POLICY

1. Introduction

- 1.1 The Authority is committed to the principles of equal pay for work of equal value and has a job evaluation scheme to measure the relative value of all roles. The grading, and therefore the salary range, of all roles is determined by the outcome of job evaluation.
- 1.2 The Authority recognises that there may be exceptional circumstances where the job evaluated grade results in an inability to successfully recruit or retain suitable staff for specific roles. In such cases it may be appropriate to pay a market rate supplement (MRS) in addition to the basic salary, to ensure such positions are filled and to overcome this problem.
- 1.3 This policy has been developed to ensure the Authority has a clearly defined approach to applying market rate supplements where a genuine business need arises. It also complies with the legal requirement that employers have objective justification if they offer different rates of pay to staff whose work is of equal value.
- 1.4 Pay is not the sole method of attracting and retaining staff. Other aspects of the overall employment package should be promoted to staff and prospective employees.

2. Definition and purpose of market rate supplements

- 2.1 A market rate supplement is a temporary addition to the basic salary of an individual role or specific group of identical roles where market pressures would otherwise prevent the Authority from being able to recruit or retain staff with the necessary skills or expertise. Market forces can fluctuate and market rates of pay may go down as well as up.

3. Types of market rate supplements

3.1 *Recruitment Supplement*

A recruitment supplement is a temporary addition to the salary offered when recruiting to a post, to bring the total salary package up to the market rate for the same role.

3.2 *Retention Supplement*

A retention supplement is a temporary payment made to an existing member of staff, over and above their basic salary, in order to retain their services, bringing their total salary package up to the market rate for an identical role.

4. Scope and principles

- 4.1 This policy applies to all roles in Bands A – F.

- 4.2 Market rate supplements will only be paid in exceptional circumstances, once alternative options have been considered and where market forces indicate pay and benefits being widely offered elsewhere significantly exceed that being offered by the Authority.
- 4.3 The value of the supplement will be determined by the difference between the appointed spinal column point within the relevant pay band (as detailed in the Authority's Pay Policy) and the market rate for the role in question. When reviewing pay rates, the total reward package will be taken into consideration as the benefit/total reward package being offered elsewhere may not be as generous as the one being offered by the Authority, i.e. leave entitlements, pension scheme, etc.
- 4.4 **Recruitment supplements** will only be paid where there:
- is an overriding business need to fill the vacancy;
 - has been an unsuccessful recruitment attempt in the preceding twelve months; and
 - is compelling evidence that the wider market rate of pay for the same role with similar organisations is markedly higher than the Authority's standard rate.
- 4.5 **Retention supplements** will only be paid when:
- a recruitment supplement has been applied to an identical role within the Authority; or
 - an identical externally-funded role funded from the same source as the Authority's role, is advertised at another organisation with a higher salary.
- 4.6 The rationale for the payment of a supplement must be recorded by HR. Offer letters, contracts of employment and variation to contract letters will confirm the criteria for the market rate supplement element in detail as explained within this policy.
- 4.7 In order to comply with Equal Pay legislation, the Authority will ensure that the process of objective justification is followed in each case and is subject to an Equality Impact Assessment (EIA).

5. **Decision-making**

- 5.1 If the Section Head and/or Director believes they have a recruitment or retention problem they should discuss this with the Head of HR.
- 5.2 The Head of HR will provide advice on the most appropriate action to take, giving consideration to the reasons for the problems.
- 5.3 If a clear business case for a market rate supplement is identified, (as per Section 4 above) the Section Head and/or Director, with support from HR, will source the appropriate market research data.
- 5.4 All the evidence will in turn be submitted to the Chief Executive who will, in consultation with the Head of HR, make the final decision.
- 5.5 The trade union representatives will be informed about the requirement for market rate supplements.

6. Criteria of market rate supplements, including the review of payments

- 6.1 Payments of market rate supplements relate solely to the role (not the role holder) and will cease to be paid if the member of staff is appointed, transferred, or for any other reason secures a different a role within the Authority.
- 6.2 Market rate supplement payments will:
- not be subject to increases under any pay awards;
 - not be backdated;
 - be payable from the start of the month following the decision;
 - be subject to the normal statutory tax and national insurance deductions;
 - be pensionable;
 - be included in calculations for the purposes of other payments such as maternity/adoption, paternity, sick pay and redundancy; and
 - be paid *pro rata* for part-time staff
- 6.3 All market rate supplements will be subject to review every 24 months on a rolling basis, or earlier if pay awards or market trends close the pay gap significantly or the relevant Director requests a review. The review will be undertaken by the Section Head and/or Director, and HR, and shared with the Chief Executive for a decision to be made.
- 6.4 Trade union representatives will be informed that the review is taking place.
- 6.5 Where the outcome of the review indicates the market conditions have changed and this results in a decrease in an individual's total salary package, a notice period of 3 months from the review date will be given of the Authority's intention to reduce or withdraw the supplement. Reduction, or withdrawal, may be staged over a period of up to a further 3 months.
- 6.6 There is no right of appeal by the individual member of staff against a decision to remove or reduce a market rate supplement. However, a summary of the market research data will be shared with the member of staff to show how the review was conducted, the sources of information that were used during the review which contributed to the decision making and also how this decision affects the individual's pay.
- 6.7 Where the results of the review indicate an increase in the supplement, this will be effective from the start of the month following the review.