



Report of: Assistant Chief Executive (Governance and HR)

Meeting of Audit Committee	Date 29 January 2015	Agenda Item	Ward(s)
Delete as appropriate	Exempt	Non-exempt	

Internal report

SUBJECT: Market Supplements

1. Synopsis

- 1.1 No new Market Supplements have been agreed in the council since February 2009. However, following consideration by the Performance and Policy Scrutiny Committee and the Executive of the council's use of agency staff, it is proposed that a new market supplements policy be adopted. Such a policy will help address the difficulties being experienced in recruiting to a number of specific technical and professional roles.

2. Recommendations

- 2.1 To adopt the draft policy in Appendix 1, subject to full Council agreeing the necessary change to the Pay Policy Statement, with effect from 1 March 2015.
- 2.2 To authorise the Assistant Chief Executive, Governance HR, to make minor or consequential changes to the policy from time to time following discussion with the Trade Unions.

3. Background

- 3.1 As a result of the economic recession and consequent changes to the jobs market, market supplement payments ceased to be awarded from February 2009.
- 3.2 However, there are a number of roles within the council which are currently difficult to recruit to at their evaluated grades. This has resulted in the use of agency staff to cover vacancies, often at significantly higher cost.
- 3.3 The Policy and Performance Scrutiny Committee undertook a review of the council's use of agency staff and presented its report to the Executive in May 2014. Included amongst the recommendations arising out of that review is one that the council should consider the use of

market supplements for “hard to fill posts” as part of a strategy for reducing the use of agency staff.

- 3.4 The Executive at its meeting of 18 September noted that HR was considering the introduction of such a policy and a draft policy is now brought to this committee for consideration.
- 3.5 Given that it is only in specific areas that there are significant recruitment difficulties and equal pay issues may arise if supplements are paid in circumstances where they are not necessary in order to recruit to a post, the policy:
- sets quite stringent requirements in respect of evidence of the need for a supplement;
 - requires supplements to be agreed by Corporate Directors or Assistant Chief Executives and then submitted to HR so that HR and Finance comments can be obtained before final sign off by the Chief Executive;
 - limits approvals to 2 years with a 12 month review with Chief Executive approval required for continuance.
- 3.6 Market supplements which take the overall remuneration package for a post (excluding pension contributions) over £100k or affect a post already attracting that remuneration, will be required to be taken to Audit Committee for approval to fit with the council’s Pay Policy Statement.
- 3.7 The policy also proposes that market supplements which increase a salary by over a threshold amount or % or which, because of the number of posts to which they apply, would cost in excess of a threshold cost, should be determined by the Audit Committee or its Personnel Sub-Committee.
- 3.8 The Pay Policy Statement will need to be amended at full Council to allow for the reintroduction of market supplements. The Pay Policy Statement for the subsequent financial year is usually adopted at the council’s budget setting meeting in February. The policy is therefore proposed to come into effect on 1 March 2015.
- 3.9 The proposed policy has been the subject of negotiation with the trade unions.

4. Implications

4.1 Financial implications:

Any agreed market supplements would have to be funded from within the existing budget of the service. This will be offset by a reduction in higher cost agency cover currently being used to cover hard to recruit vacant posts.

4.2 Legal Implications:

Where a supplement is paid on top of the evaluated grade of a post the potential for equal pay claims arises. The council will need to demonstrate that there is a “material factor” which is neither directly nor indirectly sex discriminatory to avoid or defend such claims. The state of the employment market, which may lead an employer to increase the pay of a particular job in order to attract candidates, may constitute an objectively justified economic ground for a pay disparity. Having a robust market supplements policy in place, which has been equality impact assessed, is kept under review and which requires the market conditions and recruitment difficulties to be evidenced, will mitigate the risks of introducing supplements.

4.3 Environmental Implications:

There are no environmental implications arising from this report.

4.4 **Resident Impact Assessment:**

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A resident impact assessment has been undertaken in respect of the draft procedure. The procedure itself is not considered likely to have an adverse impact on any particular group but as the procedure gives discretion to managers the use of the procedure by managers will be monitored to ensure it is being fairly applied.

5. **Conclusion and reasons for recommendations**

- 5.1 The council has been experiencing difficulties in recruiting to some specialist posts which undermines service delivery and has led to increases in the use and cost of agency staff. It is therefore proposed that the payment of market supplements is reintroduced subject to a robust policy to ensure they are only paid where necessary and appropriate. The committee is asked to consider and adopt the policy in Appendix 1.

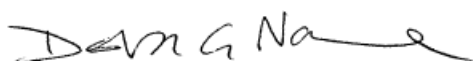
Appendices

Draft Market Supplements Policy

Background papers: (available online or on request)

Final report clearance:

Signed by:



Debra Norman
Assistant Chief Executive (Governance and HR)

Date

Received by:

Head of Democratic Services

Date

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Appendix 1

Market Supplements Policy

1. Introduction

- 1.1. Islington council is committed to providing high quality public services to its residents. To achieve this the Council must recruit and retain an effective workforce with the necessary skills and experience.
- 1.2. This policy sets out the exceptional circumstances in which temporary additions to salary will be paid by the council to reflect labour market conditions (“market supplements”) and the approval, payment and review arrangements that will apply to these market supplements.
- 1.3 All council posts are subject to evaluation under applicable evaluation schemes to ensure equal pay for jobs of equal value.
- 1.4 Job evaluation does not take into account fluctuations in the labour market and varying market rates for different types of jobs. Some jobs at similar grades may be more difficult to recruit to than others because skills shortages in particular areas of work and/or the nature of local labour market.
- 1.5 Normally all reasonable efforts to recruit or retain staff on salaries within the evaluated grade should be made before application of this policy is considered. As market conditions fluctuate, market supplements will only be applied for a maximum of up to two years to any particular post(s), subject to the review arrangements set out in this policy.
- 1.6 Where there are existing employees in the same post as that which is to be advertised with a market supplement, the policy also enables the salaries of these employees to be supplemented as a retention mechanism.
- 1.7 In exceptional circumstances, labour markets may change at a time when there are no vacancies. In these circumstances a market supplement could be used to retain employees as set out in this policy.
- 1.8 This policy has been drawn up having regard to the requirements of the Equality Act 2010 and the associated guidance provided the Equality & Human Rights Commission and will be kept under review to ensure these requirements and any amendments or additions to them are complied with.

2. Scope

- 2.1. This policy applies to all council employees other than those employed in schools.

3. Requirement for a business case

- 3.1 A business case to justify the payment of a market supplement in respect of a particular post (**not** a particular postholder) must be submitted by a Senior Manager for approval in accordance with section 4. The business case shall address, and provide evidence concerning, the following factors. The department concerned will be responsible for the data collection exercise.

- (a) The anticipated detrimental impact on the operation of the council and its services of failing to recruit to, or retain, suitable employees in the post.
- (b) Alternatives available to the market supplement approach (e.g. use of agency staff).
- (c) The outcome of previous attempts to recruit to the post and/or difficulties in retaining employees in the post due to its remuneration, including exit interview information;
- (d) Evidence of steps taken to maximise the attractiveness of the role and the likelihood of recruiting to it;
- (e) Detailed information concern the local labour market relevant to the post concerned using specific comparator jobs or survey information where this is sufficiently detailed and relevant.
- (f) This information to cover at least 3 comparator roles and include the job descriptions (including management span and budget responsibilities), person specifications and overall remuneration and benefits package (including annual leave entitlement and other benefits) of roles cited as comparators.
- (g) The calculation of the proposed supplement based on the median of the comparators used;
- (h) Confirmation that the cost of the market supplement if applied can be met from the service's existing budget.

4. Approval of the business case

- 4.1 The business case authorised by the Corporate Director or Assistant Chief Executive must be submitted by the Senior Manager to their HR Business Partner. HR will arrange for HR and Finance comments on the proposal to be provided to the Chief Executive who will make the final decision, unless section 4.2 applies.
- 4.2 The market supplement must be approved by the Audit Committee if:
 - (a) the market supplement affects a post for which the overall remuneration package (excluding pension contributions) already exceeds £100k; or
 - (b) the market supplement would cause the overall remuneration package (excluding pension contributions) for the post to exceed £100k; or
 - (c) the market supplement is more than 20% of the evaluated grade for the post or is more than 15% of the evaluated grade of the post and the number of post available exceeds 15.
- 4.3 A market supplement will only be approved where the evidenced median market rate for comparator posts is more than 5% higher than top of the evaluated grade of the post.

5. Payment of the market supplement

- 5.1 The amount of the market supplement will be set at the level it is considered will alleviate the recruitment and/or retention difficulties being experienced.
- 5.2 The market supplement will be applicable from:
 - the date of appointment in the case of new appointments;
 - the same date for any existing employees in an identical post;
 - on the expiry of an existing market supplement where a market supplement is to continue after a review under section 6;
 - the day following the day of approval of the business case in all other cases.
- 5.3 Market supplements:
 - (a) are included in the calculation of benefits such as sick pay, holiday pay etc. and are pensionable;

- (b) will be paid on a pro-rata basis to part-time employees proportionate to their working hours;
- (c) will not be subject to any cost of living increase applied to points on the council's salary scales.

- 5.4 Where an individual to whom a market supplement is to be applied is on a protected grade, the market supplement shall be reduced by the amount by which the protected salary exceeds to top scale point of the evaluated grade.
- 5.5 Employees notified of market supplements will at the same time be notified of the specific date on which the supplement will cease to be paid unless renewed under section 6. No further notice of that the payment will cease on the specified date will be given.
- 5.6 Market supplements shall be paid as part of monthly salary, unless in a particular case it is decided that the payment should be made at longer intervals contingent upon the employee still being in post.
- 5.7 Consideration will be given to the immediate withdrawal of a market supplement if an employee does not achieve a positive performance appraisal rating.
- 5.8 An employee who is subject to a disciplinary hearing, may have their market supplement withdrawn as a disciplinary penalty.

6. Review of Approved Market Supplements

- 6.1 Approved market supplements shall be reviewed by the Corporate Director or Assistant Chief Executive sufficiently in advance of their expiry to enable a new business case for a new market supplement to be submitted if appropriate.
- 6.2 The new business case shall be assessed on its own merits and there is no presumption that market supplements should be renewed.
- 6.3 In any event, any market supplement agreed for more than 1 year shall be reviewed by the Corporate Director or Assistant Chief Executive after one year and shall be terminated on 3 months' notice if its continuation is no longer justified by market factors.

7. Policy Review

- 7.1 Information on all market supplements shall be collated and reviewed by Human Resources annually as part of the annual staff equalities report.
- 7.2 This policy shall be reviewed approximately one year after it comes into force and thereafter as regular intervals.