



Market Supplement Policy and Procedure

Guidance for Managers



**March 2025
Version 10.0
Human Resources**

1. Policy

In order to attract and retain staff, agreement may be given for a market supplement to be applied to particular posts. Market supplements will only be agreed in exceptional circumstances and after a thorough analysis of the recruitment/retention problem has been completed which shows clear evidence that the council's pay is below that of the market rate and there is a clear rationale for it.

It is for the proposer to show, on a case by case basis, that the supplement is a reasonable means to meet a legitimate aim, and that the supplement will be provided to all persons undertaking a role, regardless of characteristics such as gender, disability, or ethnicity.

The payment of a supplement will only be agreed once specific criteria have been met. Payment of supplements will be monitored and reviewed regularly and, where no longer justifiable, will be withdrawn.

2. Application and Approval

Step 1: Application

An application must be made on the attached form and supported by the relevant Director. It must provide clear detail of the market supplement requested and the business case, including evidence of need in line with the criteria set out below. Advice should be sought from the HR Business Partner in respect of the business case.

Step 2: Decision

An application for the payment of a market supplement should be forwarded to the appropriate HRBP for consideration using the pro-forma in Appendix A. The proposal will be reviewed and comments made regarding its appropriateness in the context of the council's approach to pay and remuneration. If the business case put forward is deemed by HR to meet the criteria for which a market supplement should be awarded, then a supplement will be given. If, in the view of HR, this is not the case, no supplement will be given.

Where there is dispute, the Corporate Leadership Team (CLT) will be advised and provided with a recommendation from HR on the appropriate action to be taken.

NB: Any application which is incomplete will not be progressed by HR but will be returned to the Director together with appropriate guidance.

3. Criteria

Applications for a market supplement must comply with the following:

- a) Contain clear evidence of pay-related recruitment and/or retention difficulties by reference to the following indicators:
 - A market analysis showing underlying conditions, issues or difficulties / experienced in the preceding 6 months. This may include:

- Information regarding recruitment initiatives e.g. innovative/targeted advertising, promoting the whole employment package i.e. to include non-pay benefits
 - Regional/national shortage in the particular workforce group (consider if this could be addressed through new/alternative training programmes/career paths).
 - Market salary testing using appropriate market comparators of particular posts in the local job market (note: salaries for roles in London may not be considered comparators for this purpose).
 - The behaviour of others in the market, including competitors from other sectors e.g. private practice or agencies competing for staff in a market with skill shortages.
 - Qualitative assessment of job applicants
 - Turnover rates for the job role
 - An analysis of exit interview information to determine if pay is the main factor leading to turnover
 - Consideration whether the difficulties are indicators of other issues of concern within the job group which would be more appropriately resolved through management action and/or non-pay measures
 - That the role profile has been reviewed and consideration has been given as to whether the role should be re-evaluated
- b) Evidence as to the basis on which a period of 1 or 2 years is deemed appropriate, e.g. future projections regarding skill shortages; other key events.
 - c) The impact on service delivery as a result of a failure to recruit and retain the appropriate level and quality of staff.
 - d) Detail how consideration has been given to ways of organising work/ role redesign to make the post more attractive.
 - e) Give details of consideration of the wider impact of the payment of a market supplement i.e. the number of roles that would be affected and the financial implications of applying a supplement to all the affected roles. This should include the potential impact of the proposal to other similar roles or groups of roles elsewhere in the organisation.
 - f) Show 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 salary range. A copy of the role profile, used for pay comparison purposes must be included with the Application Form, alongside evidence from the local job market.

Applications will not be considered if insufficient information regarding the above has not been provided.

4. Amount of Supplement

The amount of the supplement will be determined by reference to the appropriate comparator market rate and the equivalent grade range within the council. A supplement may be considered within a pay band.

5. Application of Supplement

Approved market supplements will be:

- a) Published, to ensure transparency. This will be in the form of a summary of roles and level of supplement.
- b) Applied to all individuals in identical posts unless the application states otherwise and outlines the reasons for the supplement being applied only to specified posts within a group.
- c) Paid through payroll as a clearly identified separate payment in addition to the substantive salary and will be subject to the relevant statutory deductions. The evaluated grade will continue as the substantive grade.
- d) Temporary and authorised for a defined period of time of no more than 2 years, the supplement will be automatically withdrawn on the review date, unless a further application is made and authorised before the review date.
- e) Confirmed to the employee, in writing, at the time of the approval, by HR.
- f) Paid for by the employing service within existing budgets and must remain within budget for the period in which the market supplement is to be paid.

Applications to renew market supplements will be re-assessed against the criteria to ensure that it is still justified and that the amount remains appropriate. If, as a result of the review, the supplement is no longer justified or if no further application to pay the supplement is made, it will be withdrawn and the employee given three months' notice that the payment will cease.

6. Monitoring and review

HR will monitor all supplements to ensure consistency. A summary of market supplements awarded and refused will be reported to CLT on an annual basis. Prior to expiration, CLT will review the case for each market supplement and determine whether or not it should continue, and if so, in what form.

The Staff Side Secretary will be advised of each market supplement that is approved or removed. Equalities monitoring of the outcomes of the application of market supplements will take place with the Trade Unions on an annual basis.

7. Data Protection

Any data collected and processed as part of employing and managing employee's is held securely. It is accessed by, and disclosed to, individuals only for the purposes of completing that specific procedure, process or activity.

Records are retained and destroyed in accordance with the organisations Retention Schedule.

Inappropriate access or disclosure of employee data constitutes a data breach and should be reported in accordance with the Data Protection Policy immediately. It may also constitute a disciplinary offence, which may be dealt with under the Disciplinary Procedure.

Appendix 1 - Business Case for Market Supplement Template

Please complete this form, providing the information as outlined in the Market Supplement Policy and Procedure.

Requesting Manager Name	
Service Group	
Service/Assistant Director	
HR Business Partner	

Market supplement is requested for:

Post Title	
Post Numbers to which the supplement will apply (please indicate against each post if the post is filled or a vacant post)	
JE Code	
Evaluated Grade	
Amount proposed as a market supplement	£
Total cost of applying Market Supplement	£
Is budget available for the proposal	

Section 1 – Introduction

Introduction - Please provide brief information as to the background and context of the business case and application for the supplement

Section 2 – Criteria

Criteria - Please ensure that you reference to as many of the following indicators as appropriate:

- Market analysis showing underlying conditions, issues or difficulties in the preceding 6 months.
- Responses to job advertisements over previous 6 months
- Recruitment initiatives that have been explored/exhausted e.g. innovative/targeted advertising, promoting the whole employment package i.e. to include non-pay benefits
- Consideration as to whether the recruitment/retention difficulties are as a result of a wider regional/national shortage in the particular workforce group which would be more appropriately addressed through new/alternative training programmes/career paths

- *Market salary testing using appropriate market comparators of particular posts in the local job market. This will refer to the local job market for the majority of roles (note: salaries for roles in London are not deemed to be suitable comparators for this purpose).*
- *Qualitative assessment of job applicants*
- *Turnover rates for the job role*
- *An analysis of exit interview information to determine if pay is the main factor leading to turnover*
- *That the difficulties are not indicators of other issues of concern within the job group which would be more appropriately resolved through management action and/or non-pay measures*
- *That the role profile has been reviewed and consideration has been given as to whether the role should be re-evaluated*

Section 3 - Evidence

Evidence - the following examples of evidence should be provided to support your application;

- *Evidence to support the term requested (1 year or 2 year period).*
- *The impact on service delivery as a result of a failure to recruit and retain the appropriate level and quality of staff.*
- *Detail how consideration has been given to ways of organising work/ role redesign to make the post more attractive.*
- *Give details of consideration of the wider impact of the payment of a market supplement i.e. the number of roles that would be affected and the financial implications of applying a supplement to all the affected roles. This should include the potential impact of the proposal to other similar roles or groups of roles elsewhere in the organisation.*
- *Show 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 salary range. A copy of the role profile, used for pay comparison purposes must be included with the Application Form, alongside evidence form the local job market.*

Applications will not be considered if insufficient information relating to the above has not been provided.

Supported by	Name	Signature	Date
Line Manager			
Service/Assistant Director			
Finance Manager			
HR Business Partner			

Version Control

Version	Date	Updated by	Comments
V8.0	01/04/2023	Gillian Davis	Transferred on to new MKCC template. Language updated from CMT to CLT
V9.0	June 2024	Kellie Evans	New Template
V10.0	March 2025	Nicole Gregory	Annual review – added into policy Market Supplement Business Case Template Appendix 1.

