

## **PAY SUPPLEMENT POLICY**

### **1. INTRODUCTION**

This Policy contains the agreed approach to be taken in the application, monitoring and review of pay supplements within Mid Devon District Council.

Pay supplements incorporate mechanisms for managing recruitment, retention and market related issues by temporarily increasing the total pay awarded to a post (without altering the job evaluation determined grade for that post) when it can be shown that the salary range attached to the grade is significantly lower than those offered by a competitor and therefore it impacts adversely on the ability to recruit or retain staff. They also cover methods of recognition and reward.

During times of specific upheaval and change, it may be necessary to secure the delivery of key services and moreover, to retain a particular skill set within the authority using retention payments, market supplements, acting up payments and honorarium.

The objectives of this Policy are:-

- To recruit the best possible staff for each post and enable the Council to mitigate against any adverse impact on its ability to compete in the local labour market by looking at pay supplement payments
- To facilitate flexibility to resource the Council whilst ensuring compliance with equal pay legislation, achieving transparency and adopting best practice.
- To secure the consistent delivery of key services to the public that may be at risk by giving the ability to retain key post holders.
- To manage the usage of pay supplements responsibly with an aim to ensure that it does not create excessive or unnecessary pay disharmony.

This policy will be attached to the annual Pay Policy which is a statutory submission each year to be approved by both the Cabinet and Full Council.

### **2. SCOPE**

This Policy applies to all Mid Devon District Council employees. Supplements are only considered where all reasonable methods to improve recruitment or

retention have been exhausted, and / or there is considerable risk to service delivery. Pay supplements will always be considered against the needs of the specific role as opposed to the post holder.

### **3. MARKET SUPPLEMENTS**

A market supplement payment is paid in addition to basic salary for a specific individual post or cluster of identical posts. It may be paid where a post has been identified as 'hard to fill' and the Council is prevented from being able to recruit and/or retain existing staff on the salary determined by the Council's job evaluation scheme.

Payment will be:

- used in exceptional circumstances only
- mindful of any equal pay/value considerations, in order to avoid/minimise the potential for challenge on this point
- made as a clearly identified supplement with properly documented supporting reasons, for the amount of payment
- time limited in its application ie the guaranteed period will be up to a maximum of 12 months
- subject to regular monitoring and review
- pensionable
- applicable to all individuals appointed to the post

Any case for the payment of a market supplement must be properly justified, with supporting evidence from the following range of criteria:

- Evidence of a difficulty to recruit or pay related retention difficulties, together with market pay data
- Turnover rates
- Market based salary comparisons with competing local/regional/national employers (both public and private sector)
- Evidence that other retention initiatives have been explored/exhausted (e.g. learning and development opportunities, promoting non-pay benefits)
- Assessment of the impact of a failure to maintain adequate staffing levels in order to ensure service delivery requirements are met
- Consideration of the impact on other existing staff within the defined job group
- Robust budget impact assessment

In addition to the criteria above, account should be taken of the wider employment context applicable to the occupational group and whether the payment of the market supplement will address the particular issues underlying the retention difficulties, or whether alternative/additional actions are required.

For example:

- Are the difficulties an indicator of other issues of concern within the service/occupational group, which can be more appropriately resolved by other management action and/or non-pay measures?
- Is there a regional/national shortage for which new/alternative training schemes would be a more appropriate solution?
- Are there more appropriate ways of resourcing/delivering the service rather than through an in house workforce?

The amount of the market supplement will not be greater than 15% of the top of the salary range for the post.

Market supplements, and the conditions applicable to them, shall be clearly set out and separately identified in any job advertisement and offer/appointment letter.

Market supplement reviews will be undertaken in the following circumstances:

- At least three months prior to the end of the guaranteed period, Human Resources will instruct the Line Manager to commence the review of the market place related to that post and present the findings to the Pay and Grading Group no later than six weeks prior to the end of the guaranteed period.
- If a review indicates that the market supplement is no longer justified, it will be withdrawn. Employees will receive a minimum of one months' notice if the market supplement is being withdrawn and the reasons for this decision.
- Failure to present the findings of the review to the pay and grading group within six weeks of the end of the Guarantee Period will result in the withdrawal of the pay supplement with 1 months' notice.

#### **4. RETENTION PAYMENTS**

Deferred retention payments are paid after an agreed period of employment has been completed, and will only be authorised on the basis of the provision of robust evidence amounting to a material factor (suitable for defending any potential equal pay claims). The following evidence will be required as a minimum:

- defined skills or knowledge of an individual not available elsewhere within the authority which are deemed essential to service delivery, or other equitable material differential
- a written offer of employment with another employer, including details of the terms and conditions being offered
- reasons for leaving are clearly related to remuneration / job security, and not other factors such as dissatisfaction with role, manager, team or organisation
- evidence that other measures have been explored, together with the impact on the team.

Payments may be made at the end of a given period, or staggered throughout the specified period of retention.

Requests can only be brought by management, and will have to satisfy the Pay and Grading Group that there is not an Equal Pay issue. A clear business case detailing the significant impact on service delivery will be required for submission to the Pay and Grading Group following authorisation by Director or the Chief Executive.

Managers will also need to include information in their business case as to why a retention payment is more applicable than a market supplement before any payment can be approved.

Retention payments will be subject to the appropriate contractual conditions being met, e.g. remaining within the Council's employment for a specified period and/or the completion of specific tasks. Individuals will be required to sign an agreement to this effect.

The amount of a deferred retention payment will not be greater than 10% of substantive salary.

These payments will be made in addition to the individual's normal salary but will be subject to the normal income deductions in respect of tax and National Insurance. They are not pensionable.

If a deferred payment is made in stages and not at the end of the period and an individual leaves the Council within the agreed period of operation of the payment, the individual will be required to pay back all monies received under the scheme, except in the circumstances set out in below.

If an individual leaves the Council because of illness, injury, disability or redundancy, the member of staff will not be required to refund payment

During the specified period when a retention payment is being made a Manager will be required to manage the risk of the employee leaving by undertaking the necessary measures such as ensuring the employee shares their knowledge with other colleagues and/or undertaking recruitment to the role.

If a retention payment is being proposed that relates to a Director then the CEO, the Leader of the Council, the relevant Cabinet Member and the Corporate Manager with responsibility for People will need to agree and sign off any proposal. This will then be sent to SW Councils for independent evaluation and ratification.

If a retention payment is being proposed that relates to the CEO, then the Leader of the Council, the relevant Cabinet Member, Chairman and the Corporate Manager with responsibility for People will need to agree and sign off any proposal. This will then be sent to SW Councils for independent evaluation and ratification.

Payments, their structure (e.g. payment before or after the retention period) and the criteria are subject to the needs of the authority. Therefore discretion can be

exercised by the relevant service director, such as proposing payments, in limited scenarios (e.g. the risk faced by the Council in not acting) whereby not all criteria are met.

## **6. INCREMENTAL PROGRESSION**

The Council's financial rules provide Operational Managers and above with delegated powers to place an individual on the spinal column point of their choosing, provided it is within the evaluated grade for the post, and follows satisfactory performance.

In support of this delegated authority, and in order to ensure that equal pay is maintained the determination of an individual spinal column point either at the commencement of employment in the job role or at any other time will be based on objective material factor criteria as follows:-

- Possession of skills, knowledge, experience or qualifications beyond those which are essential to the job which will enhance performance in the role
- Demonstrable accelerated growth in the role beyond that expected (attainment of skills/knowledge/experience).
- An alternative to a retention payment or market supplement where the criteria for such payments is met.

In the event that an employee has not met their performance targets in line with their annual appraisal or has not been working to the required standard of work they will not be awarded a pay increase, and this will be reviewed again in the following year.

For appointments effective between 1 October and 31 March inclusive, the next increment will be six months after the effective date and then 1 April thereafter.

Subsequent increments are achieved when there has been a demonstration of high performance against the expectations of the role. Any incremental pay progression will be awarded to employees once this has been evidenced through the annual pay review.

The annual performance review is an opportunity for managers and their staff to review performance throughout the year and make a judgement as to whether a pay increase will be awarded. If a pay increase is not awarded then the manager will be required to give specific details about any performance shortfalls, and provide the employee with specific targets and support. In certain circumstances where an informal process has not reached a solution this may proceed to a capability process.

Any incremental pay increases will be payable on 1 April. Pay increases will no longer be awarded once the employee has reached the top of the pay scale for their role.

## 7. HONORARIUM PAYMENTS

An honorarium payment may be made to an employee who is undertaking duties of a higher level than those for which they are graded. This can be related to:

- covering a vacancy
- covering an ongoing absence within the department (such as long term sickness, but not annual leave)
- undertaking work on an ongoing basis which is over and above that expected for the grade of the post
- *a special project/activity – work outside normal scope of duties*

Any honorarium paid should not only be for a justifiable reason, but also clearly calculated. The payment, which is pensionable, should be calculated as follows:-

### **Extra responsibilities for between 6-8 weeks**

For the first 6-8 weeks this is considered as a development opportunity offered without payment. As with any request for a staff member to take on extra responsibilities the extent of the duties will need to be clearly confirmed, and the member of the staff has the right to decline the opportunity. It is crucial that this aspect is confirmed in advance of any extra responsibilities being proposed.

### **Extra responsibilities for over 8 weeks**

Any staff who have responsibilities longer than 8 weeks should receive an acting up allowance to the equivalent of 10% of their current salary if it is work at their grade. If duties are belonging to a role of a higher grade the staff member will receive 10% of the salary of the role being covered.

\*Payments being awarded in respect to the above should be for no longer than 12 months as per the CMT principle adopted in 2020.

### **Extra responsibilities for a period longer than 12 months**

If there is a requirement for additional duties to be taken for a period longer than 12 months then a formal evaluation of the staff members role will need to be considered which may lead to a formal restructure within the department.

In accordance with the Council's financial rules, the Line Manager must obtain approval prior to the confirmation of any honorarium by making a request using the Honorarium Payment Approval Form, which must be completed and signed off by themselves and the Operational Manager/Director. This should then be forwarded to Human Resources. Staff are not able to put themselves forward for an honorarium.

## 8. PROCESS FOR APPROVAL

In order to maintain the integrity of our Job Evaluation scheme, requests for market supplements, retention payments, and honoraria are all subject to additional approval by the Pay and Grading Group. Any such requests will be

submitted for consideration at the next available meeting of the Pay and Grading Group following receipt of the authorised request.

All requests must be made on the appropriate application form and all supporting documentation must be attached. Business cases which propose market supplements, retention payments and honorariums must be robust in order to provide a defence against an equal pay claim.

## **9. RESPONSIBILITIES**

Managers are responsible for making the business case, including carrying out any research, completing the necessary application form and obtaining the necessary level of authorisation prior to submitting the request to Human Resources.

Managers are responsible for ensuring that any proposals in respect of incremental progression and honoraria can be met from their own budget. There will be a central budget for market supplement/retention payments, which will be controlled by Human Resources.

The Pay and Grading Group are responsible for approving market supplements, retention payments and honoraria.

Human Resources will ensure that all the necessary paperwork and information has been submitted, provide the check and balance arrangements in respect of that supporting evidence, ensure that any payments are supported with an objective justification, and will specifically be responsible for identifying reasons for leaving upon receipt of requests for retention payments. Human Resources will review this policy annually to ensure continued relevance.

Human Resources will be responsible for providing an annual summary of:

- the number of applications under each strand of this Policy
- the number of applications approved under this Policy
- the breakdown of applications approved by gender

to the Pay and Grading Group. Data monitoring the application of incremental progression will be reported to each Pay and Grading Group meeting, and annually to the Corporate Negotiation and Joint Consultative Committee.

## **10. RECORDS**

Documents and records generated as a result of the application of this policy will be retained permanently on the individuals personnel file.

Records of will be held permanently on the Council's HR and Payroll information systems.

All records will be maintained and processed in compliance with the Data Protection Act.