



# Market Supplements

## Human Resources

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# Introduction

## Policy

The aim of this Market Forces policy is to support the attraction and retention of a skilled, flexible and efficient workforce that is committed to the achievement of the Council's goals and to the enhancement of the quality and value of its services.

## Individuals Affected

All those employed on New Forest District Council Terms and Conditions.

## Definition

Market Supplement is the means by which additional pay can be reflected on a post for a designated length of time.

As explored further this policy, Market Supplements can apply to support the recruitment to new roles, can reflect particular market conditions relating to existing roles, and can also be used to remunerate employees who have developed beyond the requirements of the job.

## General Rules

Human Resources advisory team should be consulted before any proposed use of this Policy.

For Bands 1-12, market supplements should be advertised/implemented when the Strategic Director has clear evidence that recruitment or retention is impossible at the normal salary ceiling, and approval from the Chief Finance Officer is in place.

As part of their consideration, the Strategic Director must be reassured that suitable markets have been clearly identified for the role, including responsibilities and salaries paid by comparator organisations.

It should also be clear to the Strategic Director that all reasonable attempts have been made to recruit within the normal salary band. This includes expert advice (from Human Resources and/or Advertising Agent) and imaginative approaches (e.g. modern, competitive advertising methods; flexible or redesigned work arrangements).

Market supplements are only justified in periods of national labour or skill shortage or where there are specific shortages in some professions. If a market supplement is offered during difficult recruitment, consideration should be given as to whether the same market supplement ought to apply to existing employees on the same post.

Market supplements may also be used where an employee has developed beyond the requirements of the job. This may be appropriate where the employee clearly demonstrates sustained outstanding performance which provides added value to the business unit. If, however, the requirements of the job have altered significantly, a re-grading may be more appropriate. If the outstanding performance

relates to one specific task or a specific period, a bonus may be more appropriate.

All Market Supplement payments are subject to an annual review process as laid out below. If the decision at the annual review is that the Market Supplement payment is no longer required then the Market supplement salaries will be fixed, and not subject to annual pay awards until such a time that the top scale point within the band overtakes the market adjusted salary. This is designed to ensure that there is a gradual decrease in the market supplement paid rather than a dramatic drop in pay upon removal of the market supplement. The annual review process gives an appropriate opportunity to review the impact of the pay award, and whether the Market Supplement applied is still appropriate, and/or needs to be reset, considering prevailing market conditions at that point.

Should there be significant changes in market conditions during the year, or if after the national pay award has been decided, the manager feels that it is necessary, then an interim review can be undertaken. A review may also be undertaken if the council conducts a review of the pay structure during the year. If the result of the review is that the market supplement should be reduced or withdrawn then the salary will be fixed, and not subject to annual pay awards until such a time that the top scale point within the band overtakes the market adjusted salary. In any case where this happens the employee will be notified.

In light of Local Government Re-organisation, there is likely to be a specific requirement to ensure the retention of a small number of business-critical roles. In this instance, the application of the Market Supplement paid at intervals over a 12-month period, to potentially span more than 1 financial year, will be considered.

Because of the risk to equal pay resulting from market-related pay differentials, any market supplement must be authorised by the Chief Finance Officer in consultation with Human Resources.

Any application of Market Supplement to posts above Band 12 should seek agreement and approval from the Leader of the council in consultation with the Portfolio Holder for Finance.

## Cautionary Factors and Considerations

The use of Market Supplements for individuals can have a detrimental impact on the morale and motivation of other employees in their team.

The morale and motivation of other teams/roles evaluated within the same salary band can also be adversely affected.

Individuals must be clear that the use of Market Supplements is short-term, and is not an increase in salary in perpetuity. Managers should be just as conscious on the impact of the removal of the Market Supplement will have at the appropriate time, as much as the impact it has when initially instigated.

The HR Advisory Team are available for advice and guidance on all circumstances related to the use of Market Supplements.

## Market Supplement Pay

Market supplement salaries are normally based on the top scp for the band. For bands with Performance Points, the Market Supplement can be based on the top scp including the performance point(s).

Managers will complete the Market Supplement form (Appendix A); including the intended fixed percentage (2.5%, 5%, 7.5% or 10%) and their full rationale for recommending a market supplement. This will require approval by their Strategic Director and the Chief Finance Officer.

At the annual review in February / March the decision must be taken as to what the intended percentage of market supplement is for the year commencing April 1st. Once the national pay award has been agreed the base pay will be uplifted and any market supplement percentage will be applied to the new base pay.

As stated above, if the Market Supplement is no longer required then the Market supplement salary will be fixed, and not subject to annual pay awards until such a time that the top scale point within the band overtakes the market adjusted salary.

In exceptional circumstances and only where evidenced, the Chief Executive in conjunction with the Chief Finance Officer and in discussion with the relevant Portfolio Holder can agree to an increased percentage over and above the agreed 10%. This increased percentage will not exceed 15%. This applies to all posts.

For Market Supplements used specifically to aid retention, and so to be paid at intervals, the relevant percentage to be applied and the payment frequency will be confirmed as part of the approval process.

## Annual Review

Where market supplement salaries are implemented this should be done as a short-term solution.

There is an annual review process which is initiated by the Payroll team. Each year in January they will run a report to identify all those in receipt of a market supplement payment. For those on bands 1 – 12 Managers will be asked to confirm whether the payment should remain in place, increase or decrease or be removed. This will then be approved by the relevant Service / Senior manager (where appropriate) and then go for approval to the Strategic Director.

For those above band 12, relevant approval must be sought from the Leader of the council in consultation with the Portfolio Holder for Finance.