

	<p style="text-align: center;"><b>General Purposes Committee</b> 12<sup>th</sup> May 2009</p> <p style="text-align: center;"><b>Report from the Assistant Director of Human Resources</b></p>
<p>For Action <span style="float: right;">Wards Affected: None</span></p> <p><b>Market Pay Supplements</b></p>	

## **1 SUMMARY**

- 1.1 In January 2009 the General Purposes Committee approved revised arrangements for application of market pay supplements for difficult to recruit/retain posts. However, members requested a further report on the pension implications of these payments. This report sets out the relevant details.

## **2 RECOMMENDATIONS**

- 2.1 The Committee is requested:
- (1). To note the pensions implications of market supplement payments as set out in this report.
  - (2). To agree that the protocol previously approved by the Committee is amended to include guidance on the pensions implications of such payments.

## **3 DETAILS**

- 3.1 The council operates market supplements allowances for a number of employee groups in posts which are hard to recruit to and/or to retain. The Committee meeting on 12<sup>th</sup> January 2009 considered a report on market pay supplements *[attached at Appendix 1]*, and approved a revised protocol setting out guidance and processes for application of these payments. However, members also requested that the pensions implications of market pay supplements be investigated by officers and that officers report their findings to the Committee.

- 3.2 The council currently makes annual one-off payments to groups such as Building Surveyors, as well as payments monthly to social workers and lawyers. The pensions status of these payments is determined based on the application of the Local Government (Benefits, Membership and Contributions) Regulations, which states that if the payment is an inducement to an employee not to terminate his/her employment before the payment is made then it is not pensionable. The effect of these regulations is as follows:
- If the payment is made annually as a retention payment, then it will not be pensionable as it is an inducement to the employee not to terminate his/her employment before the payment is made.
  - If the payment is for retention purposes but is paid monthly it will be pensionable, as it is made in line with the employee's regular monthly salary and is no more an inducement to the employee not to terminate their employment than any other pay element.
  - If the payment is for recruitment purposes and is paid monthly then it will be pensionable as it is not an inducement to the employee not to terminate his/her employment before the payment is made.
- 3.3 Therefore any proposals for new, or revisions of existing, market supplement payments must consider the purpose and frequency of the payment to determine whether or not the payment is pensionable. This will then be specifically stated in documentation provided to recipients of these payments.
- 3.4 The market supplements protocol approved by the Committee in January has been amended to include this guidance and a copy of the revised version is attached *[attached at Appendix 2]*. The amendments to the original version are highlighted in bold at paragraph 5.2 (viii). The Committee is requested to approve this revised version of the protocol.

## **4 FINANCIAL IMPLICATIONS**

- 4.1 As previously reported, the protocol does not directly involve additional resources: market supplements will continue to be paid for by individual services from within their allocated budgets. The business case for any payments will therefore have to include provision for the financial implications of the pensions status, i.e. any liability for additional employer contributions where the payment is deemed to be pensionable.

## **5 LEGAL IMPLICATIONS**

- 5.1 As previously reported the protocol will ensure that the council complies with best practice in implementation and operation of discrimination-free pay systems. The additional guidance on pensions status further clarifies the status of the payments.

## **6 STAFFING IMPLICATIONS**

- 6.1 The inclusion in the protocol of additional guidance on pensions status will ensure that the terms on which the payments are made are transparent and

documented so that all parties are clear about the status of the payments before they are approved and implemented.

## **7 DIVERSITY IMPLICATIONS**

- 7.1 The recommendations in this report are consistent with the council's commitment to ensure that all payments systems are fair and applied based on objective criteria which do not discriminate on any of the six diversity strands. They are also consistent with the requirements set out in the Equality Standard for Local Government in respect of pay systems.

## **8 BACKGROUND INFORMATION**

- 8.1 Report of the Director of Human Resources to the General Purposes Committee held on 12<sup>th</sup> January 2009 – "Market Pay Supplements".

### **Contact Officer(s) details**

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