

BRECKLAND COUNCIL

Report, on behalf of the Chief Executive to the General Purposes Committee, 7th January 2009

BRECKLAND PERFORMANCE MANAGEMENT AND PAY SCHEME

1. Purpose of Report

- 1.1 This report outlines the reasons for proposed amendments to the existing performance management and pay scheme, with options for consideration and approval.

2. Recommendations

- 2.1 It is recommended that the Council/Committee: Agree to the proposed amendments to the scheme, incorporating:
- 2.2 Replacement of numerical scoring mechanism with performance 'ratings'.
- 2.3 Awarding a basic performance increase (BPI) to staff rated at 'performing' or above.
- 2.4 Reducing the frequency of formal appraisal meetings from quarterly to half yearly.
- 2.5 Amendment to the moderation process to include a more in depth two-staged panel approach.
- 2.6 Incorporating the non-consolidated bonus element of the scheme into the consolidated salary budget.
- 2.7 A review of the terms and conditions of the scheme every three years, with percentage awards including BPI being negotiated annually depending upon available budget.

Note: In preparing this report, due regard has been had to equality of opportunity, human rights, prevention of crime and disorder, environmental and risk management considerations as appropriate. Relevant officers have been consulted in relation to any legal, financial or human resources implications and comments received are reflected in the report.

3. Information, Issues and Options

3.1 Background – Existing Pay Scheme – Breckland Remuneration and Reward Scheme (BRRS)

- 3.1.1 The existing pay scheme (BRRS) was implemented in 2007, replacing the incremental pay scheme, with the specific objective of linking pay increases to the level of performance achieved at work, rather than to length of time in post, in order to motivate staff and ensure fair and equal treatment of staff.
- 3.1.2 A key component of the Council's performance management scheme is that every employee's performance is assessed against annual objectives which are jointly agreed through the appraisal process. Appraisal meetings are currently held on a quarterly basis.
- 3.1.3 The pay award within BRRS is made up of a number of different elements. The percentages awarded are determined by an individual's position in their grade and their performance rating. All awards are pensionable.
- Cost of Living (COL) (2.5% in 2007/08) - consolidated into an individual's annual salary
 - Performance Related Pay (PRP) award (3% in 2007/8) – consolidated into an individual's annual salary
 - One off bonus payment (Bonus) (between 0.5% – 2% in 2007/8) – non consolidated award based on an individual's salary as at 31 March.
- 3.1.4 Following implementation of the scheme in November 2007, workshops were conducted by Human Resources with staff to obtain feedback and give further

training where necessary. We have since received feedback from Unison following a survey conducted of their members in February 2008. (See Appendix 1) The following key themes were identified as a result:

- 3.1.5 The scheme is overcomplicated for individuals to understand, and complex for managers to administer. Quarterly appraisals are too frequent and do not encourage meaningful performance discussions
- 3.1.6 The level of reward offered by the current scheme, particularly the bonus award, does not motivate staff to increase their performance.

3.2 Background – New Scheme Development To Date

3.2.1 Against this background, the Human Resources team have used modelling software, and consulted further with Unison and staff, with the aims of ensuring that the amended scheme:

- Is simpler to operate and administer with the introduction of half yearly performance review meetings rather than quarterly. Performance will be supported and monitored by regular one-to-one meetings throughout the year.
- Incorporates a clear and fair scoring mechanism – by no longer numerically scoring competencies, objectives and development needs. Overall performance is rated at the end of the performance year and the performance rating will drive the pay award.
- Incorporates a fairer spread of awards across three categories to include:
 - Exceptional
 - Over Achieving
 - Performing
- (Please note that a 'Capability' category exists although no performance award applies).
- Includes a consolidated award that is affordable, motivates staff and rewards exceptional performance.

3.2.2 Individuals who are not meeting their agreed performance standards will be supported through the formal Capability process. Individuals in formal capability measures will have their performance and salary increase reviewed as part of the moderation process.

3.2.3 The pay awards under the proposed scheme would be made up of the following elements

- A Basic Performance Increase (BPI) – consolidated to an individual's annual salary rated Performing and above. This percentage would also be the basis for reviewing and increasing the top and bottom of the salary scales for each grade.
- Performance Related Pay (PRP) award – consolidated into an individual's annual salary. This award would be dictated by an individual's performance rating.

3.2.4 The percentage awards would be agreed each year and negotiations would include factors such as available budget for salary increases and external market factors.

3.2.5 Based on the current budget for salary increases for 2008/2009, the following awards and recommended ranges of performance ratings have been modelled. The recommended ranges are informed estimates based upon ratings achieved last year. The spread of ratings would be monitored through the moderation process.

3.2.6 Proposed Pay Awards – Actual awards to be agreed

N.B. Staff at Top of Grade (TOG) will receive any award that takes them over the top of the scale as a non consolidated payment.

Staff at the top of their grade (approx 60% of staff)

AWARD	Performing (50%)	Over-Achieving (35%)	Exceptional (15%)
Basic Performance Increase (BPI)	2.5%	2.5%	2.5%
PRP Award (paid as a non-consolidated bonus)	0%	*Up to 2.5%	*Up to 4.5%
Total Award	2.5%	5%	7%

Staff at all other points within the grade (approx 40% of staff)

AWARD	Performing (50%)	Over-Achieving (35%)	Exceptional (15%)
Basic Performance increase (BPI)	2.5%	2.5%	2.5%
Consolidate PRP Award	0%	*Up to 2.5%	*Up to 4.5%
Total Award	2.5%	5%	7%

* 'up to' - this is to account for anyone who falls within the 'capability' category.

3.2.7 The proposed scheme achieves greater consistency by enhancing the moderation process to enable Service Managers to moderate their own areas before submitting to HR, followed by a second stage of moderation in which staff are divided into 3 occupational bands, and moderation takes place by the relevant panel. Unison will be given sight of staff lists within each performance category prior to the moderation process, and again post moderation and at least 4 days prior to staff being informed of the results to allow validation and challenge to the process.

Grades 12 – 8 reviewed by Service Manager panel

Grades 7 – 4 reviewed by CMT panel

Grades 3 – 2 reviewed by Executive Member and Chief Executive

3.2.8 The proposed scheme ensures consideration is given to other existing HR activities that are ongoing, such as the development of the Competency Framework, Values and Recognition to ensure consistency.

3.2.9 Ensures the scheme remains affordable within the allocated budget.

3.3 Issues

3.3.1 Feedback from Unison, staff and managers is that the current BRRS scheme is over complex.

3.3.2 Quarterly appraisals are too frequent and tend not to be meaningful performance discussions. Managers are required to hold regular one to one discussions with their staff and this has been enforced with additional appraisal training and the development of the new Competency Framework. The value of quarterly appraisals has been questioned by staff, Managers and HR. The proposal is to change the frequency of appraisal discussions to every 6 months which is in line with current appraisal best practice.

3.3.3 Feedback from staff and Unison indicates that the level of awards offered in the current bonus scheme (between 0.5 and 2%) does not motivate staff. The current budget does not allow for much development, however reviewing the current structure of the bonus scheme and the consolidated PRP award could allow for increased pay awards to be offered.

- 3.3.4 Staff at the top of their grade currently only receive the COL increase in the BRRS scheme. The proposed scheme allows for staff at the top of their grade to receive the same financial reward as those who are performing at the same level within/at the bottom of the grade.
- 3.3.5 Currently, staff at the top of their grade (TOG) only receive the annual COL increase as their salaries cannot exceed the top of the scale for their grade. Over 50% of Breckland staff are at the top of their grade, so careful consideration is needed to the options for rewarding these staff, and in particular to any percentage increase to their consolidated pay.
- 3.3.6 Historically the salary increases available to staff have always been published in advance, and feedback from staff consultation sessions and Unison strongly indicates that an awareness of what one is aiming for is a key motivator. The recommended percentage split of performance ratings is based on informed estimates using data collected from last year's appraisal scores within the BRRS and the interim ratings provided by line managers following the Quarter 2 appraisals this year. It is recommended that the percentage split of ratings is agreed in order for staff to feel they know what they are working towards. Any significant fluctuation from the proposed split would need to be addressed through the moderation process.

3.4 Options

- 3.4.1 Against the background and issues already highlighted, potential options have evolved:
- 3.4.2 OPTION 1 – To keep the existing BRRS performance related pay scheme
- 3.4.3 OPTION 2 – To approve the scheme as outlined within the recommendations at point 2.1.
- 3.4.4 OPTION 3 – To approve the scheme as outlined within the recommendations but change the split of rating once we have received the ratings data in April 2009.

3.5 Reasons for Recommendation(s)

- 3.5.1 The suggested preferred option for the Council is **Option 2**.
- 3.5.2 This option gives all staff the opportunity to compete for the same level of award. Staff at the top of their grade will have the opportunity to receive the same percentage as staff not at the TOG as a non consolidated amount. Nearly 60% of staff are at the TOG and it is anticipated this will increase motivation.
- 3.5.3 Under old scheme 60% could only achieve COL increase, 40% of staff could achieve more. Under the proposed scheme 50% of staff can achieve more than Basic Performance Increase.
- 3.5.4 Publishing the recommended ranges of percentage split of Performance ratings, staff will have an indication of what awards are available.
- 3.5.5 Two stages of moderation will ensure greater consistency of appraisal and fairness of awards.
- 3.5.6 All awards will remain pensionable.

4. Risk and Financial Implications

4.1 Risk

- 4.1.1 The primary risk is the impact on morale and motivation of our staff. There is also a risk that we will continue to be able to recruit and retain staff as effectively, and maintain motivation levels, if staff perceive that the performance management and pay scheme is too complex, and does not reward them fairly or sufficiently.

4.2 Financial

4.2.1 The proposals set out above fall within the current agreed budget for salary increases.

5. Legal Implications

5.1 None

6. Other Implications

- a) Equalities: An Equalities Impact Assessment has been completed.
- b) Section 17, Crime & Disorder Act 1998: None
- c) Section 40, Natural Environment & Rural Communities Act 2006: None
- d) Human Resources: None
- e) Human Rights: None
- f) Other: [e.g. Children's Act 2004] None

7. Alignment to Council Priorities

7.1 7.1 The matter raised in this report falls within the following Council priorities:

- A safe and healthy environment
- A prosperous place to live and work

8. Ward/Community Affected

8.1 N/A

Background Papers

None

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Key Decision Status (Executive Decisions only):

This is not a key decision.

Appendices attached to this report:

Appendix 1: Unison Grapevine dated February 2008

Appendix 2: Performance Ratings and definitions

Appendix 3: Staff Consultation Feedback- Comments and Q&As from sessions held w/c 17 Nov 2008