

3 February 2015		ITEM: 10
Corporate Overview and Scrutiny Committee		
Review of the employee performance framework		
Wards and communities affected: N/A	Key Decision: N/A	
Report of: Graham Farrant, Chief Executive		
Accountable Head of Service: Jackie Hinchliffe, Head of Human Resources, Organisation Development and Transformation		
Accountable Director: Graham Farrant, Chief Executive		
This report is Public		

Executive Summary

The performance framework is an integral part of the council's Organisational Development Strategy. It is a formal process conducted to help the council manage the performance of its employees against agreed strategic priorities and operational objectives, which are prepared annually and reviewed and monitored monthly. The importance of managers holding monthly individual performance sessions with staff has been a high council priority.

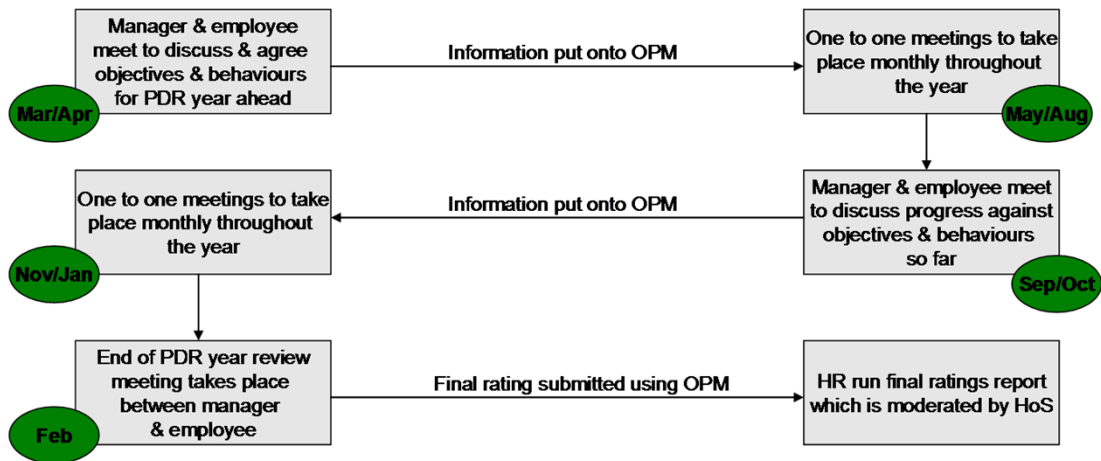
This report summarises how the performance review is structured. In so doing it will detail the mechanisms for setting objectives, outline the criteria and process for grading individuals and specify how performance is currently linked to pay. The report will also provide some metrics on how the overall system has performed over the last two years, and an overview of how key elements of Thurrock's terms and conditions of employment compare with those of other authorities.

1. Recommendation(s)

1.1 The Overview & Scrutiny committee are asked to note the report.

2. Policy and governance requirements

- 2.1 An important principle of managing performance requires managers to regularly communicate with staff on how they are performing. Employees should always be broadly aware of how well they are doing through a process of regular supervision, one-to-one meetings and the PDR process. One-to-one meetings offer an informal opportunity for staff and managers to raise work and personal development issues and to undertake a review of progress against their PDR objectives. It is a two-way dialogue, during which open, honest and constructive feedback should be given.
- 2.2 A performance assessment through the PDR process is based on individual objectives arising from service-wide delivery plans, and a framework of behaviours that the council expects employees to demonstrate. Service plans and the Behaviour Framework have been reviewed to align with the Council's changing demands and priorities.
- 2.3 The council is keen to ensure that managers fully understand their role and responsibility for managing this process. A set of Management Standards/expectations have been published that summarise the important principles underpinning the scheme as follows:
- ★ **Every direct report to have an annual PDR meeting by the end of February each year and a half-yearly progress meeting**
 - ★ **Submit PDR ratings within the deadlines specified each year so that incremental progression or suppression can be processed**
 - ★ **Carry out at least ten one-to-ones with staff per year, separate to the PDR meetings**
 - ★ **Any PDR overall score of 4 is automatically referred to the Capability Policy & Procedure for appropriate management & monitoring**
 - ★ **Attend PDR training and any refresher courses or new training arising from changes to policy, as necessary**



3. The process – setting the objectives

3.1 Setting objectives is arguably one of the most important parts of the PDR process. It links the individual's contribution back to service plans, which in turn link back to the council's objectives and priorities. Through this 'golden thread', the performance of individuals influences the performance of the council in a way that the individual staff can see for themselves and focuses resources on the achievements of our ambitions. In setting objectives managers need to ensure that they are 'SMART':

Specific: clear, well defined and able to be understood by anyone with a basic Knowledge of the area of work;

Measurable: The individual and manager should both know when the objective has been achieved; there must be an agreed way of determining whether it has been achieved or not – a measure of success.

Achievable: the resources required, skills and support must be present to make the target a realistic one, and therefore an achievable one. This includes the timescale set to complete it;

Relevant: it goes without saying that objectives should add value within the context they are set – this links back to the golden thread and making sure there is a visible connection with the service and council priorities;

Time-bound: all objectives should have a timescale to be completed by.

3.2 As an accredited Investor in People (IIP) organisation, the council is committed to meeting staff's development needs, in reviewing performance and setting objectives managers must be cognisant of any development

needs required by their staff, thus ensuring they have the skills and knowledge both to deliver excellence in their roles and to meet their own personal aspirations for career progression. As training is inextricably linked to the PDR process, a suite of development is available through My Learning

- 3.3 As well as setting objectives managers are responsible for agreeing a shared set of behaviours that will form the basis of the annual review and will be evaluated throughout the review process.
- 3.4 This year we launched Oracle Performance management. Managers will now conduct the PDR process online.

4. Ratings

- 4.1 The Performance review process consists of four sections:

- (1) Objectives;
- (2) Behaviours;
- (3) Personal Development Plan (learning & development)
- (4) Additional Comments & Final Rating.

- 4.2 When completing the PDR for the purposes of the previous year's assessment, one rating (between 1 and 4, 1 being the highest) is given for the assessment of an individual's performance against their objectives. A rating of 'achieved' or 'not achieved' is given against each behaviour depending on the manager's assessment of the extent to which it has been demonstrated.
- 4.3 HR then issues a deadline (February) to have all completed PDRs (Council wide) returned to them. They will then process the annual pay increases for the start of April. Managers are responsible for ensuring that all four sections for the previous year's review have been completed in line with the required deadline, resulting in an overall assessment rating. There is a slight variation for the leadership group who also undertake 360° appraisal against the leadership framework behaviours

5. Moderation report.

- 5.1 The incremental pay progression return requires managers to report the ratings of their staff following completion of the appraisals and confirm eligibility for incremental progression. This process reinforces the link between performance and pay progression. Heads of Service conduct a moderation process to ensure appropriate and fair application. A council wide moderation is conducted to assess overall application of the scheme.

5.3 PAY Progression Outcomes – 2013/ 2014

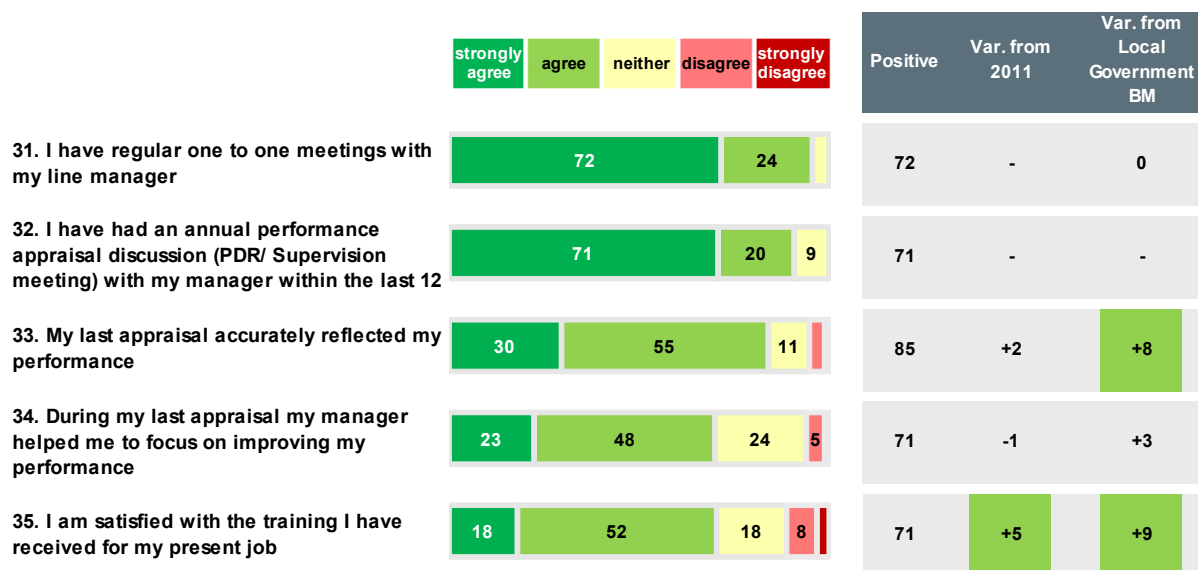
1. From 1643 employees, 725 of these were awarded an increment.
2. A further 678 employees (41%) received a rating of 2 or above, however, these employees are not due an increment due to being at the top of their pay band.
3. 33 employees (2%) were not performing at the required standard receiving a rating of 3 or 4.

5.4 Incremental Progression Key Outcomes 2012/13 for comparison

- 1) From 1561 staff, 840 were awarded an increment.
- 2) A further 521 staff (33%) received a rating of 2 or above, however these staff are not due an increment due to being at the top of their pay band.
- 3) 24 staff (1.5%) not performing at the required standard receiving a rating of 3

6. Quality of performance management

- 6.1 The staff survey is held every two years to provide a measure of staff engagement. Furthermore it provides staff with a communication channel allowing them to give feedback on their working lives within a confidential setting.
- 6.2 This year we had an excellent response rate of 72% enabling us to elicit the views of 7 out of 10 of our employees providing useful data on how the workforce is interacting with our key business processes.
- 6.3 Our PDR process remains one of our important workforce processes and is fundamental to our overarching performance.
- 6.4 The following charts indicate that 96 % of those who responded are having 121 meetings with their line managers; 91% agree that they have had a formal appraisal meeting which commences the annual cycle.
- 6.5 This represents excellent coverage of the process within the council. In addition 85% of respondents confirmed that their appraisal accurately reflected their performance putting the council 8% above the local government benchmark for the quality of appraisals.



7. Comparisons of key Terms and Conditions of Employment

7.1 Each year, Thurrock commissions an independent pay report which includes an assessment of pay trends and recommendations for appropriate pay levels.

7.2 In addition, comparative data for terms and conditions of employment in local authorities are provided by the National Joint Council for Local Government Services (NJC) and the East of England Local Government Association (EELGA).

Salaries

7.3 Current rates of senior managers' pay were determined following a pay report by Total Reward Ltd in January 2014. This included an assessment of market conditions including median pay rates across local authorities and affordability to the Council.

7.4 Employees other than senior managers receive pay rates set out in the Council's Single Status Agreement. These rates are linked to National Joint Council pay settlements and are also subject to an annual, independent review.

7.5 The next independent pay reviews will be undertaken in January 2015.

7.6 Further details, including the annual Pay Policy Statement, have been published on the Council's website, as follows:
<https://www.thurrock.gov.uk/what-we-spend/council-pay>.

Sick pay

- 7.7 Data published by the NJC (see Appendix 1) in November 2014 show that from a survey of 260 local authorities, 247 (ie 95%) used the NJC sick pay scheme. This is the scheme which Thurrock uses.

Standard working week

- 7.8 The EELGA's most recent survey (see Appendix 2), published in 2013, found that 32 out of 33 local authorities (ie 97%) in the East of England region, including Thurrock, operate a 37 hour working week.

Holiday entitlement

- 7.9 The EELGA also reported a range of holiday entitlements among their member authorities, all of which featured a 'starter' entitlement which increased to a higher level after five years' service. Examples published were:

20 – 25 days
23 – 28 days
24 to 26 (depending on grade) – 29 to 31
26 – 31

Thurrock's rates are 25 – 30 days.

Review of Terms and Conditions of Employment

- 7.10 As part of the medium-term Financial Strategy the Council has agreed a savings target of £1 million from pay, terms and conditions of employment for 2015/16, and is currently in negotiations with trade unions about how to achieve this figure.

8. Implications

8.1 Financial

Implications verified by: **Sean Clark**
Head of Corporate Finance

There are no direct financial implications for this report; however our Performance management is about increasing performance. Successful use of our performance management system will enable us to improve our programme delivery, increase our employee engagement and productivity, and make us better stewards of public funds.

8.2 Legal

Implications verified by: **Chris Pickering**

Principal Solicitor - Employment & Litigation

Any performance standards need to be objectively justifiable if employment action is taken in response to them. This applies as much to the non-awarding of performance related pay as to disciplinary action for those employees whose performance is not to an acceptable standard. To be defensible, standards should be known and published as well as being measurable. This report sets out such an objective scheme.

8.3 Implications verified by: **Teresa Evans**

Community Development and Equalities Team

Diversity and Equality

The performance framework forms an integral process in how we manage and engage our total workforce. In so doing the council gives a commitment to deliver a fair and consistent approach in the application of rules, policies and procedures of the system that we operate.

8.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

None

9. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

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10. **Appendices to the report**

Appendix 1 NJC for Local Government Services Terms and Conditions survey 2014

Appendix 2 EELGA Analysis of regional terms and conditions benchmarking data

Report Author:

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