

		AGENDA ITEM 6
		ES/007/12
Committee:	Executive Scrutiny Committee	
Date:	31 January 2012	
ESSEX COUNTY COUNCIL CORPORATE HUMAN RESOURCES		
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Scrutiny detail: Performance Management

Summary

- **ECC's Performance Management scheme**, branded as 'my performance' is operated across the Council.
- The scheme is based upon a five factor assessment, and an online system has been developed to enable line managers to capture performance outcomes.
- The scheme is based upon setting of objectives and expected behaviours, frequent meetings between employees and line managers, recommended performance outcomes and moderation of such recommendations.
- The scheme is linked to performance pay, and performance outcomes will drive pay actions.
- Details of the Scheme are as follows:
 - ◇ The scheme runs from 1 April to 31 March annually
 - ◇ Management set employee objectives and expected behaviours by the end of April
 - ◇ Employee development is an integral part of the scheme
 - ◇ Guidance is that line managers and employees meet regularly to discuss progress
 - ◇ A mid year assessment takes place to gauge progress against objectives. Line managers are required to enter an assessment of each employee onto the online system by mid October against one of 5 factors from Not Met through to Exceptional although employees at this point are only advised if they are "On Track" or "Off Track"
 - ◇ Performance is continued to be reviewed through the remainder of the performance year
 - ◇ During February and March a process of final line manager recommendations, moderation, confirmation and approval takes place
 - ◇ Employees are advised of their performance outcome by letter in early April
 - ◇ Any required remedial actions are undertaken as part of the process
- Performance Outcomes are within the range of Not Met (expected 5% of population), Part Met (expected 10% of population), Fully Met (expected 60% of population), Exceeds (expected 20%

of population) and Exceptional (expected 5% of population).

- This is a guideline distribution and is not “forced”
- A programme of line manager development was designed and undertaken as a New Ways of Working project during 2011 to equip all line managers with the knowledge and skills to undertake effective performance management
- In the region of 8,000 employee performance outcomes are processed through the system annually. This results in minimal challenge to final performance outcomes from employees.
- An appeal process is in place for employees to formally challenge their final performance outcomes. In 2010/11 the following appeals were deal with:

Month received	Outcomes				Grand Total
	Appeal not upheld	Appeal upheld	Case closed due to inactivity	Resigned	
April	7	3			10
May	2	1	1	1	5
July	1				1
August	1				1
October		1			1
Grand Total	11	5	1	1	18

- This equates to around 0.2% of the employee population who appeal against their final performance outcome.
- Effective performance management allows for poor performance to be addressed in a timely and structured way and for high performance to be rewarded. Data for the last three performance years indicates low voluntary turnover of high performers and high voluntary turnover of low performers.

Year to	Not Met	Part Met	Fully Met	Exceeds	Exceptional
February 2012	35% Leavers	25% Leavers	13% Leaver	7% Leaver	4% Leaver
March 2011	52% Leavers	23% Leavers	12% Leaver	7% Leaver	6% Leaver
March 2010	35% Leavers	28% Leavers	10% Leaver	6% Leaver	4% Leaver

Governance

Performance Management is a two way process involving continued dialogue between an employee and their line manager. This results in:

- An agreed ‘my performance’ contract containing SMART objectives, behavioural

requirements and development areas

- A mid year review to formally advise employees whether they are on or off track
- Line manager recommendation of performance at year end
- Confirmation and approval of line manager recommendation by “grandparent” managers
- Moderation processes (including DLTs) to ensure consistency of approach
- Political involvement in objective setting and assessment of members of CLT and Committee to Determine the Terms & Conditions of Chief Officers receives performance recommendations in respect of the Chief Executive and members of CLT and determines final performance outcomes

Monitoring

Appeals against performance outcome are available (see above)

Equality analysis of performance outcomes is undertaken and identified trends and anomalies addressed

Scrutiny detail: Performance Pay Policy & associated procedures

Summary

- **ECC's local Performance Pay policy** is determined on an annual basis.
- As a Forward Strategy, **PLT/CLT agreed a set of principles in September 2010** as follows:
 - ◇ Essex County Council should maximise any opportunity to continue the further cascade of local performance pay arrangements, particularly to employees graded within Band 4
 - ◇ Wherever possible, ECC should support the Local Government Employers to resist the imposition of Nationally recommended pay arrangements (such as the lump sum £250 proposal) and promote local decision making
 - ◇ Should Local Government Employer negotiations result in a cost of living pay freeze for employees on National Conditions, the same principle should apply for local performance pay
 - ◇ In keeping with an equitable approach, should National negotiations result in payments to employees within Bands 1-4, local arrangements should be applied that do not penalise staff who have transferred to performance related pay
 - ◇ The position regarding incremental progression for Bands 1-4 (which are unaffected by the Government "pay freeze") should be kept in context when pay decisions are made on local performance pay
 - ◇ Pay decisions should take account of any implications arising from the Pensions Taxation changes due to be implemented from April 2011 which could impact particularly upon senior managers
 - ◇ Ensuring we are competitive to recruit specialist and key roles for the organisation
- The current performance pay and grading structure was developed for ECC by the HAY Group and introduced in July 2007.
- ECC performance pay grades are benchmarked against the HAY London & SE Industrial and Service market to ensure that salary ranges are competitive and allow recruitment and retention of skilled and talented employees.
- The Localism Bill 2011 requires all local authorities to annually agree a Pay Policy Statement and publish the Statement on the Council's website. The ECC 2011/12 Pay Policy Statement was agreed by Council on 7th February 2011 and will be published on the website from 1 April 2012. The Statement contains details of policy and process around ECC pay and rewards.
- The political leadership of ECC receive early briefing on pay policy prior to any formal reporting. In 2011/12 a number of meetings with the Leader and others were held during April to June.
- PLT/CLT have input to the determination of local performance pay arrangements. At their meeting on 12th September 2011 PLT/CLT agreed that a "pay pot" of 2% of salary could be

utilised to make performance payments.

- CLT then consider market data and other relevant factors in order to reach a decision on the detail of the performance pay approach to be followed. CLT received reports on 23rd November 2011 and 20th February 2012.
- The Committee to Determine the Terms and Conditions of Chief & Deputy Chief Officers receive a report regarding executive performance pay arrangements to be applied to members of CLT. Members received a report on 20th December 2011 when a decision was made to implement a base pay and bonus “freeze” for CLT for 2011/12.
- Once a decision on local performance pay arrangements is complete, technical changes are commissioned to the ‘my performance’ online system to link performance outcomes to pay actions. As a result:
 - Line managers enter a performance outcome onto the system.
 - This outcome is then confirmed or amended by an individual higher in the hierarchy
 - Cross Directorate moderation will take place to consider consistency of approach and to provide challenge to the process
 - Moderated performance outcomes are confirmed, typically at or on behalf of Director level.
 - The system generates performance outcome letters to individual employees.
 - Output is made to the payroll system to effect pay actions.
- The Committee to Determine the Terms and Conditions of Chief & Deputy Chief Officers consider and agree the performance outcomes of CLT members
- The aim of ECC local performance pay is to:
 - ✓ Provide ECC with full financial control of the local pay bill (such direct control is not available with employees on National Conditions where pay policy decisions are made at a National level with little consideration for local affordability)
 - ✓ Reward high performance and contribution
 - ✓ Better manage poor performance
 - ✓ Contribute to the aim of ECC becoming a high performing organisation

Governance

2011-12 Performance Pay Policy

Member Consultation - Executive Director for Transformation briefings to Leader and Councillor Finch April to June 2011

CLT/PLT Sign Off of Principles – report agreed 12 September 2011

CLT Sign Off of Detailed Approach – report agreed 23 November 2011 and amended approach agreed 20 February 2012

Member Sign Off of Executive Pay Approach – report agreed 20 December 2011

Member Sign Off of CLT Performance Outcomes – to be determined on 26 April 2012

Monitoring

Appeals against performance outcome only (no appeal is available against the monetary award) are available

Equal Pay Audits are commissioned (next one is due summer 2012) to check against pay differential issues

There have been limited numbers of performance appeals equating to 0.2% of employee population in 2010/11 and no Equal Pay cases to date.

Scrutiny detail: Redundancy Policy, associated procedures and Redundancy selection matrix

Summary

- **ECC's Redundancy policy** was reformatted in 2010.
- In anticipation of the number redundancies in 2010 to ensure consistent deployment of the underpinning redundancy process, **CLT agreed a set of principles for redundancy** these are:
 - Consistent benefits tracking
 - Consistent employee process
 - Governance and line of sight on plans for and progress of redundancy programmes
 - Support for employees leaving ECC through redundancy
 - Diversity and equality embedded throughout
 - Compelling vision of future for remaining employees
- In order to mitigate against compulsory redundancy, but recognising that cost benefit must be reaped, CLT also agreed **an approach for the use of Voluntary redundancy**, including principles these are:
 - We will articulate clear criteria for accepting VR applications based on future business requirements. These criteria will cover business critical skills / capability level, length of service (minimum 2 years to qualify for redundancy) and the cost of the redundancy payments and any resultant strain on the pension fund payable by ECC must be less than the salary cost over 2 years unless it can be justified by business efficiencies.
 - We will ensure that decisions on VR applications are made in a consistent and timely manner in line with our agreed process
 - We will work to manage the expectations of VR applicants, a request not a right.
 - We will issue notice to employees whose VR application is agreed as close to conclusion of statutory consultation as possible to allow earliest possible benefit realisation.
 - We will set clear processes for and flex exit date where necessary to ensure knowledge transfer.
- To ensure these CLT principles, HR developed the **organisational change toolkit (OCT)** which ensures a consistent employee process. This was also developed in 2010.
- When contemplating redundancies, organisations by law must carry out a process of statutory consultation with Trades unions.
- This consultation covers, providing information about the plans and reasons for redundancies, avoiding the redundancies, reducing the numbers or redundancies and mitigating the consequences of the redundancies. The start of this consultation is marked by the issue of a section 188 document.
- ECC also carries out full and detailed consultation with employees affected by redundancy, the aim of this is to ensure employee engagement through the process and ensure resultant

changes are successful.

- As a consequence of the anticipated redundancies resulting from New Ways of Working (NWOW) projects and other large scale reorganisations in AHCW, SCF and IS, CLT took the decision was taken to commence concurrent statutory consultation on a series of projects on the same day July 25th 2011, this is referred to as the **ECC s188 approach.**
- The aim of this ECC s188 approach was to ensure:
 - ✓ We demonstrate honesty, integrity and transparency through an upfront, single ECC communication on proposed changes with a clear overarching commitment to mitigating action
 - ✓ We clearly articulate the overall ECC strategic agenda as the driver for change
 - ✓ We develop an overarching ECC communications plan with consistent key messages for delivery both internally and externally
 - ✓ We reduce the risk of a lack of meaningful consultation with a single, clear consultation framework setting out timings, method, approach and our principles (see Annex D) through the overarching s188
 - ✓ We avoid duplication of effort through a more centralised approach to consultation
 - ✓ In an increasingly volatile Industrial Relations climate we will manage the IR messaging and approach in a consistent way
- To ensure fair and consistent selection for redundancy the **ECC Redundancy selection matrix** was developed and agreed with Trades unions. This matrix is based on external best practice and uses my performance ratings, sickness absence and disciplinary action as it's core with the option to include additional selection methods where necessary.

Governance

Redundancy policy reformat– Head of Corporate HR & Head of HR Advice and Support signed off January 2010

CLT principles for redundancy

CLT sign off Sept 2010

Voluntary redundancy approach

CLT sign off May 2011

Organisational change toolkit

EIA April 2010

Legal sign off July 2010

ECC's s188

CLT sign off – June 2011

Discussed and agreed by Cabinet Member – June 2011

ECC Redundancy selection matrix

CLT sign off - July 2011

EIA - July 2011

Legal sign off May 2011

TU Consultation Aug – Oct 2011

Audit of the redundancy process

Audit will be undertaken – June/July 2012

Monitoring

ETs against redundancy since 2010 – 7, 2 closed – 5 in track

Appeals from s188 projects - 7 to date, 1 outstanding, non upheld

There have been no industrial relations disputes or negative media stories, this has not been the case in some other local authorities who have experience industrial action e.g. Birmingham

