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To: County Council – 1 April 2010

Subject: Revised Kent Scheme Pay Structure and Appraisal

Classification: Unrestricted

Summary: This paper outlines the proposed changes to the Kent Scheme Pay structure and its associated performance based progression and seeks the County Council's endorsement.

1. INTRODUCTION

- 1.1. Over recent years a number of significant improvements have been made to the County Council's local pay arrangements including a revised job evaluation process, single status, a new grade structure and Total Contribution Pay. KCC has placed itself ahead of much of the public sector, and indeed some in the private sector. All the improvements have been achieved whilst protecting staff, our services and council tax payers.
- 1.2. These improvements are seen as part of an ongoing review and developments which will maintain position and advantage as an employer, and optimise value for money for the authority are continually considered. There is scope for a better relationship between performance and reward and "incremental progression" is outdated, providing little value to managers, employees or the organisation.
- 1.3. This report proposes a transformation of the Council's pay structure to modernise and support performance management. This is being introduced to assist managers and the business deliver services and provide better recognition of personal delivery of business related targets. It has been the subject of previous discussion and agreement at Cabinet, Chief Officer Group as well as Personnel Committee.

2. CONTEXT

- 2.1. The rigidity of the current incremental structure does not support a performance management culture well as incentives and progression are constrained by the value of pay progression points. Consequently the value of "good" performance throughout the year is 2.7%. Those that are able to achieve an "excellent" rating, on 12 months excellent performance are rewarded with approximately a 4% increase. Such a differentiation does not encourage higher levels of performance, nor does it accurately reflect the difference in level of performance.

2.2. Any redesign of the pay structure and progression must be made on the following principles:-

- Simplicity – easy for everyone to understand
- Minimal bureaucracy
- Consistency with a degree of flexibility to meet local requirements
- Encouraging high performance
- Complying with Equality requirements

3. PAY STRUCTURE

3.1. In considering potential models, a number of other organisations of similar size and context have been assessed. All organisations require some form of pay progression. The current proposal has taken the best aspects of other schemes but is designed to provide us with a system that specifically meets the needs of our organisation at the current time. The model provides a foundation for further development and growth without the need to go back to the basic structure.

3.2. The revised model is based upon Pay ranges, which are common practice outside the public sector and provide an opportunity to make a transition to a more flexible pay structure, with greater ability to set levels of reward dependant upon performance. Appendix 1 provides an illustration of how the ranges will look compared to the current scheme. The removal of increments for all grades is a significant principle and to the best of our knowledge unprecedented in Local Government.

3.4. The rate of progression and relative value of appraisal ratings will be set by Kent County Council after the Total Contribution Pay assessments. This has the dual benefit of separating the assessment discussion from the financial implication, leaving the manager able to determine level of performance without restriction, and of the organisation setting the value of the ratings across all of KCC from the identified total budget, with an appropriate level of differentiation for those performing at a higher level.

4. APPRAISAL

4.1. Our current appraisal system is now relatively well embedded in practice and has developed the formal nature of a review for all staff that was not present previously. However in recent years the vast majority of assessments result in the “good” rating (approximately 90%). A number of factors that drive this, not least that the model has a middle choice for managers, but also significantly that the “good” description is too broad. It is therefore proposed that the model is reduced to four levels, Outstanding, Exceeding required standard, Achieving Required Standard and finally Requiring Performance Improvement. Final descriptors for the ratings and more importantly clarity of definition is yet to be finalised. Those staff who are the subject of formal Capability and Performance procedures will have no assessment and receive no increase in pay. Appendix 2 provides an illustration of the conversion from the current to the proposed appraisal ratings.

4.2. It is critical that managers are suitably confident and competent with the new model. They should see this as a tool to assist them delivering their objectives

and apply it in a fair way which objectively separates out the differences in personal contribution levels and rewards them accordingly. This will require both commitment and resources to ensure that any revised scheme has a reasonable chance of success. A comprehensive development programme for managers on managing performance, utilising the revised scheme, will be provided for managers.

- 4.3. The development of the Reward Strategy to date has been undertaken in partnership with our recognised trade unions. However this latest development does pose a risk of a collective' dispute and Unison have already expressed their objection, although they are continuing to participate in discussions.
- 4.4. The transition to the revised scheme is predicated on being cost neutral. It neither requires additional funding, beyond project costs, nor is it expected to deliver direct savings.

5. IMPLEMENTATION

- 5.1. In recognition of the nature and magnitude of the change, a project team has been established and includes representatives from Directorates, and Corporate Personnel & Development and Finance. Consultation has now concluded and despite the use of various forms of communication has produced very little response. The communication has to date included Team Briefing, extra mail messages, leaflets, and manager presentations to staff that we will continue throughout the year, supplemented with performance management training for managers. The project budget to facilitate the change of structure and associated processes has been set at a maximum of £300k.
- 5.2. Transition to the new structure is from April 2010. Whilst the appraisal ratings will not be used until the end of the year, these will be apparent to all staff from the beginning of the process.
- 5.3. The consequence of the change of structure and appraisal scheme will not impact on existing staff immediately, and therefore it is quite possible that any adverse reaction might not be realised until March 2011. In anticipation of this significant investment of time has and is being made to ensure that staff receive the key messages.

6. CONCLUSION

- 6.1. The move to the new Kent Scheme Pay and progression scheme will be a significant change. It would represent an important step in the further progression towards achieving a high performance culture where individuals are rewarded according to what they achieve in their job and how they achieve it. Success will be dependant upon support from Members, Chief Officers and senior managers.
- 6.2. In making this transformation of pay structure and progression, the level of potential challenge from staff, trade unions and managers should not be underestimated. There will be many that doubt the principles and purpose and will seek to challenge and undermine. The resolve and commitment of both Members and Chief Officers is therefore critical.

7. RECOMMENDATIONS

- 7.1. County Council are asked to note and endorse the proposed pay structure and appraisal model.

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Appendix1

PAY POINT	£
1	11808
2	12161
3	12527
4	12903
5	13291
6	13689
7	14099
8	14523
9	14957
10	15407
11	15984
12	16218
13	16440
14	16793
15	17140
16	17799
17	18471
18	19156
19	19668
20	20262
21	20923
22	21599
23	22297
24	23053
25	23819
26	24771
27	25600
28	26421
29	27202
30	28015
31	28823
32	29427
33	30219
34	31076
35	32001
36	33045
37	33934
38	34833
39	35724
40	36630
41	37523
42	38376
43	39319
44	40215
45	41112
46	41992
47	43357
48	44684
49	45842
50	47000
51	48152
52	49326
53	50481
54	51637
55	52799
56	53956
57	55122
58	56555
59	58025
60	59534
61	61082
62	62669
63	64300
64	65971
65	67686
66	69446
67	71252

Proposed Kent Scheme salary range

15	69,446
14	61,082
13	53,956
12	48,152
11	41,112
10	35,724
9	30,219
8	26,421
7	23,053
6	20,262
5	18,471
4	16,793
3	15,984
2	14,099
1	12,903
	12,527
	11,808

APPRAISAL RATINGS

(1)	Exceptional	—————	(1)	Outstanding*
(2)	Excellent	—————	(2)	Above Required Standard*
(3)	Good	—————	(3)	Achieving Required Standard*
(4)	Incomplete	—————	(4)	Requiring Performance Improvement*
(5)	Poor			Under Performance & Capability

Not Assessed – 9 months combined period not achieved to allow appraisal rating to be established.

All TCP ratings must be supported by completed TCP appraisal paperwork

* - Definitions still to be formally agreed