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To: Personnel Committee

Date: 27 January 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. This is currently the subject of consultation with managers, staff and unions.

1. INTRODUCTION

- 1.1. Over recent years a number of significant improvements have been made to the County Council's local pay arrangements including single status, a revised job evaluation process and grade structure and the introduction of Total Contribution Pay. Consequently we have placed ourselves ahead of many employers across sectors. All this has been achieved whilst protecting the interests our staff, our services and council tax payers.
- 1.2. However we are not complacent and are constantly seeking to maintain our position and advantage, as well as optimising value for money for the authority. There is scope for a better relationship between performance and reward, and there is a perception that "incremental progression" is outdated and provides little value to managers, employees or the organisation.
- 1.3. The following report highlights the proposed plan to transform the Council's pay structure and modernise and support performance management. The improvements are being introduced to assist managers and the business to deliver excellent services and provide better recognition of personal delivery of business related targets. The proposals have been the subject of previous discussions and agreement at both Cabinet and Chief Officer Group.

2. CONTEXT

- 2.1. The rigidity of the current incremental structure does not support a performance management culture particularly 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%. Individuals who achieve an “excellent” rating with 12 months’ excellent performance are rewarded with an approximately 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
 - Consistent with a degree of flexibility to meet local requirements
 - Encourage high performance
 - Complies with Equality requirements

3. PAY STRUCTURE

- 3.1. In consideration of potential models we have assessed a number of other organisations, of similar size and context. 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 proposed 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 would be set by Kent County Council after the Total Contribution Pay assessments. This has the benefit of separating the assessment discussion from the financial implication, leaving the manager able to determine level of performance without restriction. It also allows the organisation to set the value of the ratings across KCC from the identified total budget and with an appropriate level of differentiation for those performing at a higher level.

4. APPRAISAL

- 4.1. Our current appraisal system is now well embedded and has increased the number of formal reviews undertaken for all staff. However, in recent years that the vast majority of assessments have resulted in the “good” rating (approximately 90%). There will be a number of factors that drive this; not least that the model has a middle choice for managers, but also significantly that the description is too broad. It is therefore proposed that this be reduced to four levels, Outstanding, Exceeding required standard, Achieving Required Standard and finally Requiring Performance

Improvement. Precise terms 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 corresponding increase. 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 assesses 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.
- 4.3. The development of the Reward Strategy to date has been undertaken in partnership with the recognised trade unions, despite the national conflict of interest. There is the risk of a collective dispute and Unison have already expressed their objection to the model proposed, although their representatives are continuing to participate in discussions.
- 4.4. Any transition to a new structure could be viewed skeptically by trade unions and some individual employees. Undoubtedly there will be some that believe the change is being proposed as a cost saving exercise, and therefore it is worth considering whether this could be countered with a commitment on the level of funding. Ideally this would be beyond the first year.

5. IMPLEMENTATION

- 5.1. This is a major change project and resources are being committed by colleagues in Directorates, Personnel & Development and Finance. Consultation has commenced and, using various forms of communication, we are seeking the views of staff and unions. This has included Team Briefing, extra mail messages, leaflets, and manager presentations to staff.
- 5.2. The consultation is due to conclude in February 2010, with transition to the new structure 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 financial year.
- 5.3. Existing staff will not feel the impact of the change to the pay structure and appraisal scheme for many months, and therefore it is quite possible that any adverse reaction might not be fully apparent until March 2011. In anticipation of this we are investing as much as we can in ensuring that we do get key messages across to staff.

6. CONCLUSION

- 6.1. The move to the new Kent Scheme Pay and progression scheme will be a significant change. It represents 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.
- 6.2. In making the transformation of pay and progression structures, the potential level of 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 and senior Officers is therefore critical.

7. RECOMMENDATIONS

- 7.1. Personnel Committee are asked to note and endorse the proposed pay structure and appraisal model.

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Appendix 1

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

Appendix 2

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 and Capability Proceedings

Not Assessed – 9 month 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