

Personnel Committee

Incremental Pay Progression and Appraisal Policies

6 February 2013

Report of Head of Transformation

PURPOSE OF REPORT

To recommend Council policy in relation to Incremental Pay Progression and Appraisals, and in doing so, ensure that the Council fulfils its outstanding obligation in respect of a Collective Agreement reached with Unison in 2010.

This report is public

Recommendations

The Personnel Committee is recommended to:

- (1) Approve the new Incremental Pay Progression Policy.
- (2) Approve the updated Appraisal Policy.

Executive Summary

1 Introduction - Background To Pay Progression Criteria

- 1.1 As previously reported to Personnel Committee on the 30 September 2010, the Council implemented the outcomes of the job evaluation project, as required by the national Single Status Agreement, on 1 April 2010.

Implementation was achieved through the negotiation of a collective agreement between the Council and Unison, following a ballot with staff in March 2010.

The collective agreement includes arrangements for pay structures, pay protection, and incremental progression. It also states that progression through the salary grades will be in accordance with an agreed incremental progression policy which would be determined in due course.

- 1.2 Therefore the final element of the job evaluation project to be completed is the need to establish incremental pay progression criteria for the new pay structure i.e. the criteria that staff will need to meet to progress from one increment to the next within a grade.

The collective agreement states that the pay protection period for employees whose pay went down as part of the new grading structure would be for 2.5 years; between 1 April 2010 and the 30 September 2012 and, incremental progression would be frozen during this time, in order to offset the costs of pay protection. This time period would also enable suitable criteria to be designed and agreed with staff and trade unions, although the project has been delayed due to the need to decide what the impact on terms and conditions might be as a result of the Council now sharing a Management Team with South Northamptonshire Council.

Harmonisation of terms and conditions is being considered separately and therefore incremental progression criteria still needs to be agreed in order to honour the terms of the collective agreement.

Once agreed, the policy will be implemented (retrospectively) with effect from 1 October 2012 for those employees who meet the criteria, in line with the terms of the original collective agreement.

- 1.3 The Council has used the knowledge of an external Consultant from Northgate Arinso to design and recommend a suitable incremental pay progression scheme and associated policy.

The Consultant worked with the Council during the Single Status/job evaluation project, so had the benefit of being fully aware of what was required to complete the pay progression element of the project.

Consideration was given by JMT on options that could be used for two periods of time. Namely the 1 October 2012 to 31 March 2013 and from the 1 April 2013. The reason for consideration of the two periods being that as the 1 October 2012 had already passed as to whether this should be treated in a different way. It was agreed that it should not and that the only suitable option for both periods required the use of the appraisal process to link to the use of performance targets and competencies being scored. This would then achieve the Council's original aim of having performance served increments rather than time served, albeit that any increments awarded in the first year would be for 18 months rather than 12 months.

2 The Appraisal Policy

- 2.1 The current Appraisal Policy is a joint policy for both CDC and SNC, and has been in place for nearly two years, following a decision to review and harmonise both Councils' policies and bring them into line.

Generally the appraisal cycle includes two appraisals; one which should take place in February/March that will review any targets and competencies set for the previous year, as well as setting new targets for the following appraisal year (April to March). A mid year review also

takes place in around October each year so that the targets set earlier in the year can be reviewed, revised or deleted if no longer suitable.

During appraisal meetings, the manager and employee should discuss training needs for the following year; review what training has taken place, and how effective that training has been.

At present, appraisal outcomes are not linked to pay at Cherwell, but they are at South Northamptonshire Council. There is however still a requirement for all staff to participate in the appraisal process and have a completed appraisal for each year because of the direct link to the delivery of the corporate priorities.

- 2.2 As the Council's approach for incremental progression is linked to the delivery of key objectives set as part of the appraisal process it was considered important to review the current Appraisal Policy to ensure it was robust enough to be used to support the Incremental Progression Policy.

Since the introduction of the shared Appraisal Policy we have received feedback from staff and managers in relation to the lack of mid year review documentation and guidance, which has now been incorporated into the appraisal process.

The Council's IIP reassessment has also highlighted the need to request better information in relation to training and training evaluation.

The Appraisal Policy was therefore reviewed and sent out for consultation at both Councils at the same time as the Incremental Progression Policy. Both policies rely on the need to interlink for the incremental progression process to take place successfully and in order to ensure an effective, fair and consistent approach.

2.3 **Consultation**

Formal consultation for both policies has now been completed. However in light of the feedback received from both the Staff Consultation Group and Unison, the Incremental Progression Policy is still being amended and will be distributed as an addendum to this report, for consideration at the meeting on 6th February.

Consequently the Incremental Pay Progression Policy, attached at Appendix 1, is the draft policy which was sent out for consultation, prior to being updated to reflect the feedback. The consultation responses are however also appended to the report so that members are aware of the issues raised as part of the consultation process, prior to receiving the final policy. (Appendix 2).

The Appraisal Policy at Appendix 3 is the final draft policy following receipt of consultation comments.

2.4 Incremental Progression Policy

The proposed policy outlines the process and mechanism to enable an employee to be put forward by a manager to gain an increment, on an annual basis, immediately following an end of year appraisal in February or March.

If supported by a corporate moderation panel, an increment would be awarded at the end of the appraisal year (April to March) with salary being increased from the 1 April immediately following the appraisal.

In order to ensure that the council meets the terms of the collective agreement, incremental progression will be backdated to 1 October 2012 in the first year of operation. The effect of this is such that employees will receive an 18 month increment in the first year (October 2012 – April 2014) and then an annual increment thereafter, until they reach the maximum of the grade, providing they continue to meet their agreed appraisal objectives.

2.5 Policy Coverage

The policy covers staff employed on salary grades 1 to 11 at Cherwell District Council. It does not extend to:

Those employed on JMT grades or Hay Grades (shared services managers) as both have their own separate progression criteria.

Those who are currently at the maximum of their salary grade.

Apprentices as they are employed on spot salaries. (Appendix 4 shows the current Pay Grades).

Staff on career grades as they also have their own agreed arrangements for progression. There are at present only around 12 career graded posts within the Council, and managers are being asked whether they wish to continue with their current arrangements or review them.

2.6 Pay Progression Criteria

In order for employees to be able to progress through their salary grade, in line with the policy, the scoring from the targets/objectives section and competency sections of the appraisal form will be utilised to calculate an average score. If the average score is 2.5 or more then an increment may be recommended by the manager.

All scores will be moderated by a corporate moderation panel to review trends of high or low scoring across teams, directorates and the organisation before incremental progression is approved. The moderation panel may request a manager revisit an appraisal where such trends are identified.

2.7 Appeal Process

Where an employee is unhappy with the process and outcome they will be able to appeal against the decision. The appeal will be considered by an Appeal Panel, where a member of JMT will act as Chairperson. This person will not have been involved in the process or moderation to date so that an independent review can take place. They will be supported by a member of HR who will not have been involved in moderation of the post to date, or if not possible another trained moderator.

2.8 Training

All managers and employees have been asked to attend training on appraisals during February and March 2013, at both Councils, to ensure that the policy is utilised fairly and consistently by improving knowledge of what should take place, and how that should happen.

Appraisal training has not taken place for a while at Cherwell so it is important to ensure that all staff are aware of their responsibilities in relation to appraisals and the policy, but to also supply them with the knowledge to be able to participate in the appraisal process effectively and consistently.

- 2.9 Although moderation and audits will take place after appraisals have been undertaken which may highlight further training needs, if training were not to take place there is likely to be inconsistency in approach which could lead to high levels of appeals.

3 Financial Considerations

- 3.1 The introduction of a performance based approach applied from April 2013 but backdated to October 2012 would be based on carrying forward funding from 2012/13 to 2013/14 to be able to pay in the 2013/2014 pay year.
- 3.2 If all eligible employees are recommended to progress through their salary grade by one increment the potential cost would be £362,000 for 2013/2014. However, given that the first awards are to be backdated to October 2012, the cost could be £543,000 covering an eighteen month period from 1st October 2012 to 31st March 2014. The 2012/13 budget available and 2013/14 budget proposal for incremental progression amounts to £543,000 and is to be held centrally. Any unspent amounts will be carried forward to offset future year's incremental base budgets required.

- 3.3 All employees need to be employed by the Council for at least one year before any increment is eligible. In future years the cost of all current employees receiving increments beyond the first incremental step has been estimated as follows:

April 2014 to March 2015 - £314,000 (including NI and Superannuation).

April 2015 to March 2016 - £252,000 (including NI and Superannuation).

April 2016 to March 2017 - £213,000 (including NI and Superannuation).

Whilst the cost of increments will reduce in subsequent years as shown above, the actual figure required may reduce dependant on the level of employee turnover and new employees starting at the bottom of the grade or lower than existing employees.

4 Conclusion

- 4.1 The key issues that have been taken into account can be summarised as follows:
- The end of the pay protection period following the implementation of the new pay and grading structure in 2010
 - The requirement of the 2010 collective agreement which stated that incremental progression would apply from October 2012, subject to a policy framework being put in place to ensure that it could be administered fairly across the council.
 - The level of funding available in the remainder of 2012/13 and 2013/2014.
 - The most appropriate way to implement a fair, transparent and consistent pay progression scheme is through a measure of performance, underpinned by the appraisal process.
- 4.2 A clear indication has to be given that any future pay progression will be based on performance (as measured by the delivery of key objectives), underpinned by a revised appraisal scheme and process.
- 4.3 No incremental progression will be agreed before April 2013, enabling the current appraisal scheme to be updated and agreed as part of the 2012/13 appraisal cycle. Where incremental progression is recommended by a manager and "signed off" by the corporate moderation panel in April/May 2013, it will be backdated to October 2012 and paid as a lump sum to eligible employees in their next available salary in 2013, subject to normal tax and NI deductions
- 4.4 The funding available for 2012/13 should be carried forward and incorporated into a single budget for 2013/14 to cover an eighteen

month period from 1st October 2012. Any residual amount of this budget after awards confirmed will be carried forward to offset future years incremental base budgets required.

- 4.5 In accordance with the 2010 collective agreement and staff expectations, it is important to ensure that an Incremental Pay Progression Policy is put in place. This policy will promote an increased level of reward and retention now that employees are able to gain an increment if a good level of performance is sustained during a year. Whilst staff at Cherwell already perform well, with such a large period of change being undertaken, with shared services and restructures, such a reward policy will help employees to remain motivated and deliver services at a time when resources are reduced.

The Appraisal Policy plays a key role in being able to award incremental progression, as well as support ongoing performance monitoring within the Council. This new policy will not only support this more effectively but has been improved at the request of staff and managers and Investors in People, to make the process easier to use. Also the consequent data will enable more appropriate training to be delivered to meet corporate priorities and service plans within available budget provision.

Key Issues for Consideration/Reasons for Decision and Options

The Council has an obligation to ensure its policies and procedures remain up to date in relation to the law and best practise and provide the needs of the organisation, and both the Appraisal Policy and the Incremental Progression Policy will ensure performance can be monitored, reviewed and rewarded accordingly.

The approach in the proposal is believed to be the best way forward to ensure compliance with the Council's collective agreement:

Option One Approve both the revised Appraisal Policy and new Incremental Pay Progression Policy.

Consultations

Trade Union

Appraisal process

The Trade Union provided feedback which has been incorporated into the revised Appraisal Policy.

Incremental Pay Progression

Feedback on the Incremental Pay Progression Policy is being reviewed and amended and further discussed with the Trade Union. An addendum to this report will be issued prior to the 6th February 2013 for the Committee's consideration.

Staff Consultation Group

Appraisal Policy

The Staff Consultation Group provided feedback, some of which were comments and other requested amendments some of which have been incorporated into the revised Appraisal Policy. The Consultation Log is attached at Appendix 5.

Incremental Pay Progression

Feedback including comments on the Incremental Progression Policy is attached at Appendix 3. The table shows which comments have been actioned and which have not and where a response only was required. The comments are currently being used to discuss with the Trade Union further and the external Consultant to ensure the best approach is utilised. The policy once completed will be forwarded as an addendum prior to the meeting on 6th February 2013.

Implications

Financial:

The financial implications are as detailed within the report and summarised in section 3.

Comments checked by Karen Curtin, Head of Finance and Procurement, ext 1634.

Legal:

Although there is no legal obligation to provide incremental progression and an appraisal scheme this has been approved as part of a collective agreement with the recognised trade union and non implementation could result in a dispute and/or employee relations difficulties. As long as the appraisal scheme and progression criteria are consistently and fairly applied there should be no risk of successful equal pay claims or other potential legal challenges from individual employees.

Comments checked by Kevin Lane, Head of Law and Governance, Tel: 0300 0030 107

Email: kevin.lane@cherwellandsouthnorthants.gov.uk

Risk Management:

In adopting the revised policies the Council will be reducing the potential risk of employment complaints. They will also act as a recruitment and retention tool, whilst also providing a better mechanism to review and measure employee performance.

The proposals contained within this report relate to the implementation of a Collective Agreement reached between the Council and Unison 2 years ago. Failure to implement the Agreement could undermine the positive relationship that currently exists between the Council and Unison and result in potential employment claims by employees.

Comments checked by Claire Taylor, Corporate Performance Manager ext 1563.

Wards Affected

ALL

Document Information

Appendix No	Title
Appendix 1	Draft Incremental Pay Progression Policy (excluding amendments arising from the consultation process.)
Appendix 2	Consultation Feedback and Action Log – Incremental Pay Progression Policy
Appendix 3	Draft Appraisal Policy
Appendix 4	Current CDC Pay Table 2012/2013
Appendix 5	Consultation Feedback and Action Log – Appraisal Policy

Background Papers

Northgate Arinso Consultant Report
Collective Agreement

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