



People, Performance and Development Committee
27 October 2016

**APPRAISAL UPDATE: PERFORMANCE LEVELS
2015/16**

Purpose of the report: Performance Management

To provide the findings from the management review, requested by the People, Performance and Development Committee, on performance level distribution detailing the rationale of services whose individual combined total of the performance levels 'exceeds expectations' and 'outstanding' was 10 per cent or greater; and to provide a definition for the three new performance levels 'exceptional' 'successful' and 'needs improvement'.

Recommendation:

It is recommended the People, Performance and Development Committee notes that:

- i. The services whose individual combined total of the performance levels 'exceeds expectations' and 'outstanding' was 10 per cent or greater provided their rationale to their directors for discussion at the Chief Executive's Direct Reports (CEDR) meeting in September.
- ii. CEDR accepted the rationale and recommended actions to be embedded in each service to raise the standard of performance of those achieving 'exceptional' and ensure consistency across the organisation. CEDR request that:
 - a. Their definition of 'exceptional' 'successful' and 'improvement needed' be used across the organisation.
 - b. Every service creates standards that are in line with the three point performance scale and recommended target of five per cent of employees achieving 'exceptional'.
 - c. Services work with their teams to ensure a common understanding of the level of performance expected within the organisation.
 - d. A process is adopted that cross references objectives set for staff so they have equitable expectations and clear standards that can be compared in a straight forward way at moderation.

- e. For HR&OD to embed these actions within organisational policies and guidance.

Introduction:

1. The performance appraisal process provides the central mechanism for formal staff management and is evidence of active management within the organisation.
2. Based on the existing five point scale, services were asked to consider the proportion of people being awarded the top two levels 'exceeds expectations' and 'outstanding' and to aim for approximately five per cent of employees following a service level moderation process.
3. Following the People, Performance and Development Committee on the 30 June 2016, Members requested a management review on performance level distribution detailing the rationale of services whose combined total of the performance levels 'exceeds expectations' and 'outstanding' was 10 per cent or greater.
4. As set out in the recommendations, this report provides information on the following:
 - a. The findings from the management review into performance level distribution including actions to embed consistency across the organisation.
 - b. A definition for each level in the new three point scale: 'exceptional' 'successful' and 'needs improvement'

Findings from the management review into performance level distribution

5. Contributors to the review:
 - a. Community Partnership and Safety.
 - b. Customer Services.
 - c. IMT.
 - d. Public Health.
 - e. Mental Health.
 - f. Strategy and Performance.
6. The focus of the Management Review is on the performance level distribution, with rationale, for services whose individual combined total of the performance levels 'exceeds expectations' and 'outstanding' was 10 per cent or greater.
7. All services represented have described their rationale for ensuring the fair allocation of performance levels through following the precedent set from previous years using the five point scale and making use of a robust moderation process. Some included additional scrutiny on those achieving the higher levels. Each service considers themselves high

performing which contributed to a high number of people achieving the top two performance levels.

8. **Precedent of the five point scale:** All services moderated their appraisal levels according to the 2015/16 five point scale and used existing criteria for identifying 'exceeds expectations' and 'outstanding' which were set based on previous years. Services identified a number of reasons for their higher ratings:
 - a. Recruiting and maintaining high performing people.
 - b. Adopting good use of service planning and corporate strategy to set direction.
 - c. Good performance management maintained through regular one to ones and appraisal.
 - d. Undertaking work that saved the organisation money, contributed to high profile pieces of work, maintained financial stability, reputation or other additional value.
 - e. Significant personal effort.
 - f. Consistently performing above their pay grade.
 - g. Individuals role modelling the behaviour framework as evident through 360 feedback.

9. **Using robust moderation:** All services made use of the moderation process and felt it was robust in ensuring fairness and equity across the service including reducing the number of 'exceeds expectations' awarded during the scrutiny of the moderation discussion.

10. **What will happen differently next time:** As moderation is still a new process, services recognised there were a number of lessons to apply to next year's approach. Heads of service will:
 - a. Put in place service standards that are in line with the three point performance scale and recommended target of five per cent of employees achieving 'exceptional'.
 - b. Work with teams to ensure a common understanding of the level of performance expected within the organisation.
 - c. Ensure there is a process that cross references objectives set for staff so they have equitable expectations and clear standards that can be compared in a straight forward way at moderation.
 - d. Fully understanding early on when individuals are likely to achieve the highest level and be prepared for greater challenge in the moderation process. Hold moderation earlier so there is still time to have additional conversations if necessary.

11. The heads of service feel that with the adoption of the three point scale and setting new standards at the beginning of the year will bring their distribution of performance levels more in line with the organisation's expectations. CEDR acknowledged this, agreeing that the final

performance levels awarded after moderation were deemed fair and equitable based on the evidence provided against the five point scale.

12. In addition to the recommendations above (paragraph 12) CEDR request that their definition for each of the new performance levels be used across the organisation and for HR to embed all action into organisation policies and guidance.

Definition for each of the new performance levels
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15. The People Performance and Development Committee requested that a definition of each of the performance levels is provided as part of the management review. CEDR discussed and agreed the following:
16. Each year, individuals will set objectives through conversations with their line manager for the year ahead. These will be set within the context of the service's plan and managers will work to ensure a consistent standard is set across the team. In setting targets and standards, individuals and managers will be encouraged to consider the following three elements accepted as part of the pay and reward strategy:
 - a. Role modelling the behaviours
 - b. Delivering outcomes to a high standard
 - c. Getting consistent, positive 360 feedback.
17. There are three performance ratings within the new appraisal process – 'exceptional', 'successful', and 'improvement needed'.
18. Those meeting the objectives agreed and standards set will be deemed to be **successful**. It is anticipated that the majority of staff will be in this category, completing high quality work, delivering consistently to residents and role modelling the behaviours of Surrey County Council.
19. There will be instances where an individual has gone above and beyond the standards set and be deemed to be **exceptional**. By definition, this will be rare and should be used to recognise the small number (less than 5% of the team) who have really excelled in a particular year. Those achieving this rating will not only have achieved their objectives and consistently delivered results of exceptional quality but also be seen to have a positive impact on others within the team or organisation.
20. The final category, **improvement needed**, will be given where an individual is not able to demonstrate they have met the requirements of the job role they are employed to perform. This will be in cases where objectives are not being met and/or quality of work is seen to be below expectations. Alternatively, or in addition, there may be evidence of failure to meet the standards of behaviour required by the behaviour framework, leading to repeated poor feedback from colleagues and/or customers. If an individual falls within this category, it is important that support is put in place to help them meet the standards expected, as set out in SCC policies.

- 21. The Council has invested in the High Performance Development Programme to ensure it has leaders who can grow teams. High-performance teams have a shared commitment to quality and results - they focus on achieving the highest standards and the best outcome, and are aligned behind achieving this goal. To remain high performing, teams must constantly be looking to improve and raise the bar so if an individual is exceptional one year, expectations and standards will increase the next year to continue to drive performance and therefore it is unlikely an individual will routinely achieve this higher rating year-on-year.

Conclusions:

- 22. The organisation has agreed a number of actions to embed high quality application of the pay and reward strategy appraisal and moderation processes with the intention of maintaining equity and fairness, and continuously improving the high standard of performance expected by SCC employees.

Financial and value for money implications

- 23. An embedded culture of performance management that has clear expectations of success and fair moderation processes is an essential part of ensuring proper control of the pay bill.

Equalities and Diversity Implications

- 24. Annual appraisals are an essential way in which the Council ensures its values and behaviours are embedded across the organisation as standard. Maintaining clear and common expectations will ensure fair and objective application of the pay and reward strategy. This is a way of ensuring a culture which is supportive of all cultures and difference.

Risk Management Implications

- 25. Appraisals are an essential element of a health and safety management culture.

Next steps

- 26. HR will embed these actions as part of the implementation of the Pay and Reward Strategy including the introduction of a performance management and appraisal policy and guidance.
- 27. HR will develop, with CEDR, an evaluation process to measure the effectiveness of these actions.

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Sources/background papers:

None