

Health and Safety Executive Board Paper		HSE/03/068	
Meeting Date:	5 November 2003	Open Gov. Status:	Fully Open
Type of Paper:	Above the Line	Paper File Ref:	
Exemptions:	None		

## HEALTH AND SAFETY EXECUTIVE

### The HSE Board Performance management and pay for Bands 1 to 6

A Paper by John Gould  
Advisor: Brian Whitnell

Cleared by Vivienne Dews on 28 October

#### Issue

1. To approve arrangements for a new performance management system (Your Performance Matters – YPM) to be implemented from 1 April 2004.
2. The system consists of new arrangements for performance appraisal and development, identifying our best performers and an underpinning and revised core framework, worked up in tandem with the work elsewhere on HSE's values.

#### Timing

- 3 Urgent. Decisions are needed now:
  - to allow sufficient time for HSE TUs to consider and respond to the proposals, and
  - to complete the work required to implement the system by April 2004.

If we miss this target date, implementation would be delayed until April 2005.

#### Recommendation

- 4 The Board are asked:
  - to note the introduction of a new core framework, to support HSE's Values and the change programme
  - to agree to the introduction of a new system of performance appraisal from 1 April 2004, including High Performance Award (HPA) arrangements as proposed at **Annex 2**, and
  - to authorise Personnel to put formal proposals to HSE TUs.

#### Background

5 The need to change HSE's performance management arrangements for Bands 1 to 6 was agreed by the Board in December 2001 (**B/01/90**). A pilot to test proposed changes began in April 2002 and a report on the first round of testing was considered by the Board in December 2002 (**B/02/051**). The Board agreed changes, including the operation of a high performance award (HPA) system, on condition that the arrangements are flexible so that d/ds operate them with minimal bureaucracy.

6 At a special meeting between the Executive and HSE TUs held to discuss formal proposals to implement the changes throughout HSE from April 2003, it was agreed the pilot would continue throughout the 2003/4 reporting year, to allow for further testing of the arrangements for HPAs.

## **Argument**

7 The objectives and key features of the system – called Your Performance Matters (YPM) were agreed by the Board in **B/02/051** and are attached for convenience as **Annex 1**.

8. The YPM package does not represent radical change. The basic building blocks are broadly similar to the present system, comprising a process for assessing individual performance and development, and identifying and rewarding our top performers, along with supporting tools such as guidance and a revised core framework of desired skills and behaviours, aligned to support HSE's values.

9. In keeping with the aims of HSE's change programme, the design of the package reduces the administrative burden, places increased emphasis on the importance of dialogue between managers and their staff, and encourages greater openness and transparency in decision-making.

10. YPM has been subject to extensive testing, including two separate evaluations. In general terms, the design of the package is strong on principle but relatively light on operational prescription. YPM has proved to be generally robust and while the testing has helped to iron out practical difficulties, it has not resulted in major changes to the basic system architecture. The two main areas for attention and where changes have been made since the Board last considered the YPM proposals are on the operation of the arrangements for High Performance Awards (HPAs) and the links to post filling.

## **Proposals for HPAs**

11 Under the proposed new arrangements, the non-consolidated performance bonuses currently paid for box As would be paid to staff gaining a "highly effective" performance mark on their end year report. The bonuses would be called High Performance Awards (HPAs).

12 Essentially, the HPA system would operate along similar lines to the moderating arrangements used for the SCS system. Reporting officers would make nominations for HPAs for consideration by an off-line moderating arrangement overseen by the director or head of division. The aim of the process would be to identify the top performers and to ensure that HPAs are awarded fairly and consistently in the d/d.

13 The moderating arrangements were tested on two separate occasions by pilot d/ds. The evaluation of the most recent trial - for the reporting year ending March 2003 - concluded with a cautious endorsement of the system. The arrangements were seen as more open and transparent, but there were still some concerns about the bureaucracy (ie, submitting nominations and the panel process) . The evaluation also highlighted the importance of good communications and feedback for the effective operation of the arrangements.

14 To respond to these findings, the proposals now made for HPAs are designed to provide d/ds with further flexibility to decide their own arrangements, whilst conforming to a set of central principles to ensure that HPAs are awarded fairly and consistently and that the

system is managed effectively across HSE, particularly during the first year of operation. **Annex 2** summarises the purpose and key features of HPAs and builds on the lessons learnt:

- **re communications/feedback:** by requiring d/ds - prior to the start of the next reporting period - to discuss HPA standards and moderating arrangements with Personnel and to inform staff about their operation. Then, at the end of the year, to provide feedback to reporting officers about why nominations were supported, or not, and to publish an overall summary of the results to all staff in the d/d
- **re paperwork:** by Personnel developing, in consultation with d/ds in the pilot, the key principles for moderating HPAs and leaving it to d/ds to decide how to deliver them.

15 The Board is invited to consider the proposals (at **Annex 2**) to introduce them HSE-wide from April 2004.

### Proposals for post filling

16 A requirement of the YPM package was to provide better links between performance management and post filling. Our initial proposal was to use elements of the written record of performance generated through the appraisal process to provide information on the track record of candidates. However, the pilots showed that this arrangement increased the written input required routinely of all reporting officers and involved many in nugatory work.

17 The Board is invited to note the following improvements to post filling arrangements, designed to avoid such nugatory work:

- **better use of information about “track record”:** the career record attached to job applications will be re-designed to provide brief information about the skills and behaviours used by candidates in recent jobs, verified by managers, and based on the revised core framework
- **increased “brigading”:** wherever sensible, with immediate effect, Personnel will increase the use made of general “panels” to fill vacancies, based on the lessons learnt from recent exercises carried out to fill HQ vacancies at bands 4 and 5 levels. In the longer term, this may involve the use of assessment centres.
- **improved guidance:** vacancy holders will be required to provide candidates with better briefing about the type of evidence they require. The guidance on the intranet, and the associated examples, will also be improved.
- **improved vacancy website:** a project is underway to provide a vacancy website to replace Personnel News and provide d/ds with direct, on-line, access. The new site is expected to reduce current timescales for advertising vacancies by up to two weeks and allow staff to request e-mail alerts for vacancies in a particular job band/location. Target date for implementation is 2 April 2004. We plan to introduce the revised core framework for vacancy filling as part of this initiative.

### Consultation

18 Consultation has been a key feature throughout the project, involving staff from d/ds. To date the pilot has provided an opportunity for the system to be tested across bands and disciplines. Around 1500 staff and managers have been involved directly – from initial design through to participation in the pilot. HSE TUs have also been consulted throughout and invited to comment on this paper. We will provide an oral update of their position at the meeting on 5 November.

## Presentation

19 Guidance on the new system will be available on the intranet from January 2004. Presentations by Personnel will be available for all staff from February to April 2004. An outline plan for implementation is attached as **Annex 3**.

## Costs and Benefits

20 On **performance appraisal**, based on the experience of the participants who had completed a full year of the pilot: around two-thirds (66%) reported that the YPM system was easier to operate than the pwp system; less bureaucratic (65%), easier to understand (62%), an improvement on the pwp arrangements (63%) and less complex (59%). We expect the costs of operation to reduce a little during the first year, even allowing for the costs of the briefing sessions for the roll-out and the associated opportunity costs of learning the system. The pilots established that no additional training sessions are required for current managers or staff. New managers will be trained under the Essential Training for Managers programme (ETM), as usual, with modules adjusted to refer to the new system.

21 On **moderating HPAs**, staff on the whole believe there are benefits to HSE in recognising high performance, and some see the HPA system as delivering this. Others need to be convinced. There is a very clear sense that those who are closer to the system have a greater understanding of its benefits, with HPA panel members holding this view. However, panel members have also expressed concerns at the costs of operating the system compared with the present arrangements for managing the allocation of box As – mainly because of the time needed to complete written HPA recommendations and convene special panels to consider their merits. Comparisons are difficult, but experience suggests that the running of the panels is likely to involve some additional opportunity costs, at least initially. However the system has been designed to allow d/ds flexibility to decide on the most efficient and effective way to run the HPA award process, against centrally determined principles. Evidence from the pilots suggests that as d/ds get used to the system, costs are likely to reduce.

22 On **post filling**, the proposals made avoid the nugatory work identified by the pilots.

## Financial/Resource Implications for HSE

23 The proposals would draw resource from other work, particularly during the roll-out phase. It is difficult to quantify how much, or to calculate the impact on delivery. Once rolled-out, we expect a resource benefit, both in the costs of operating the appraisal arrangements and, more significantly, through better performance management - though again, this is difficult to quantify.

## Environmental and Other Implications

24 None

## Action

25 The Board is asked to agree to:

- the introduction of the new performance appraisal system from 1 April 2004
- the revised proposals for HPAs (attached as **Annex 2**).

## OBJECTIVES AND KEY FEATURES

### a) Objectives

#### **To ensure all staff are competent and perform effectively:**

- All staff are assessed and rewarded for delivery of their objectives, and for developing and applying job-related skills and relevant behaviours in the HSE Core Framework
- All managers are assessed and rewarded for developing and applying management skills and relevant behaviours in the HSE Core Framework.

#### **To promote a culture that recognises the benefits of different perspectives and ways of working:**

- Every member of staff will have an equal chance to perform effectively and to achieve 'high performance'.
- To reduce bureaucracy and the management overhead in HSE through streamlined performance management arrangements.

#### **To stimulate a culture of continuous improvement:**

- All staff will be expected to discuss with their managers how they can make improvements and to include a personal objective on this, where appropriate.
- All staff to have, and be assessed against, a relevant personal development objective; for staff new to a post/function, this requires a more detailed development plan to be agreed.

### b) Key features

- 
- a more outcome focused system with streamlined individual performance agreements based on key tasks and priorities
  - reduced paperwork, with greater emphasis placed on talking rather than writing
  - no formal annual award of performance appraisal box marks – performance to be assessed as “effective” or “unacceptable”
  - a re-focused “appraisal manager” role, to concentrate on standards setting for all staff, especially the actions needed for “unacceptable” and “high” performance
  - greater separation between appraisal and pay decisions through separate arrangements to moderate nominations made by managers. The aim being to secure improved transparency, fairness and consistency, and consequently staff confidence in the arrangements, at the same time as ensuring the arrangements are proportionate to the awards made
  - improved support for continuous improvement and development through a greater focus on personal and business improvement, through the expectation that objectives be set relating to these important areas
  - more focus on management accountability through the expectation that managers will be assessed on their performance as managers by the setting of an objective appropriate to their team/team members
  - a revised core framework which incorporates HSE’s values, as well as examples of effective and ineffective behaviours and a new core skill area related to developing and applying job related expertise.

## Purpose and key features of HPAs from April 2004

### Purpose

To recognise and reward staff for highly effective performance.

### Key features

D/ds must agree their HPA arrangements with Personnel prior to the start of the reporting period. The arrangements must include:

- **D/Ds setting clear reporting standards**, reflecting HSE's and their own business needs
- **Guidance** to reporting officers about how to submit evidence, based on the published criteria in Your Performance Matters
- A process for **moderating** HPA nominations, which involves staff outside the immediate line management chain and an independent observer from another directorate
- everyone involved in the process being **trained** in Your Performance Matters and equality issues
- a **timetable** for key actions, ie
  - for managers to consider and make recommendations
  - for d/ds to carry out equality proofing before and after moderation
  - for Personnel to complete the equality proofing required, again before and after moderation.
- **Communications** arrangements to inform staff about reporting standards, the moderation process and to give feedback to staff and managers about the outcomes of the process

## Outline plan to support the introduction of the new arrangements

### a) The roll-out

One hour briefing sessions will be provided in main locations throughout HSE. Ideally these should all take place around February. Because of the large number of staff and locations to be covered, we plan to start the briefings in January and, if demand requires it, continue them into April.

Other support to include:

- laminated cards being issued to all staff, providing an overview of the new system, with key messages and the revised core framework
- an intranet site, with guidance, electronic forms and an easily accessible database of examples drawn from the pilot
- "floor walking" by central project staff and D/D central HR staff to support people at the time new performance agreements are prepared, ie around March/April
- on central telephone support, the PD help line to be briefed to respond quickly to all questions raised

### b) Training

Preliminary discussions have taken place with our training providers to ensure a smooth transition to the new system, eg. as modules in the Essential Training for Managers (ETM) programme refer to the core framework, these will be updated to refer to the revised core framework.