

Management Board

Band A-E Performance Award Scheme (PAS) First Year Review

Paper by Head of Pay, Policy and Employee Relations

Purpose

1. This paper informs the Management Board (MB) on the outcome of the review of the performance award scheme (PAS) for band A-E staff, considers options for the future of PAS and provides options for the way forward.

Decision for the Board

2. The Board is asked to decide whether it prefers Option 1 or 2 (or its sub option).

Background

3. In December 2007 the Management Board endorsed a performance system based on relative rather than absolute assessment i.e. a limit on the number of awards available by department and pay band.
4. The aim was to reward achievement closer to the point of delivery and the PAS was designed to deliver these three times each year, aligned as far as possible with the Parliamentary cycle.
5. The PAS was negotiated as part of the Band A-E pay agreement for 2008-10. The overall structure of the system formed part of management's original pay offer to the unions in July 2008 and the subsequent ACAS arbitration award in management's favour. The fundamental mechanics of the system have therefore been agreed as part of the pay agreement and any changes need to be negotiated with the trade unions.
6. The agreement included a commitment to an initial review of the scheme after its first year of operation and to a more substantial review after the second year. Management agreed to a more substantial review after the first year because some senior managers had concerns that the system was unpopular and was not motivating and rewarding staff in that way that had been intended.
7. The Unions' request for a more substantial review was prompted by their fundamental objections to performance pay, their view that the system had some flaws and that the rules of the scheme had not been adhered to by all PAS panels.

8. For the first year of the PAS, performance periods ran from 1st April 2009 to 30th June 2009; 1st July 2009 to 31st October 2009 and 1st November 2009 to 31st January 2010. Payments for awards allocated in Period 3 were made in March 2010. Not all of the awards available for 2009/10 were allocated, mainly due to under subscription in certain pay bands, mainly band B2 and below.
9. Although the allocation of funding for PAS is based on the financial year (i.e. April to March) performance periods are linked as far as possible with the Parliamentary cycle. Year 2 is therefore already underway; Period 1 began on 1st February 2010 and runs until 31st May 2010.

Review Approach and Findings

10. The review comprised analysis of the lessons learned exercises undertaken after Periods 1 and 2, analysis of feedback received from interviews with PAS panel members, feedback from Directors of Business Management, Director Generals, Union representatives and their members.
11. Feedback from staff has been obtained from departmental meetings held before each performance award period, feedback from individuals, and feedback from departmental staff meetings via Directors of Business Management.
12. In addition, an electronic questionnaire was developed and distributed to gather the views of all staff. The data provided in this paper shows the emerging findings from the questionnaire as of 19th April 2010 (the deadline for responses is 23rd April 2010). A report on the questionnaire will be prepared on 26th April 2010 and be made available to the Management Board.
13. So far, 515 responses have been received, 91% of which are from staff in A-E pay bands and 9% from SCS. This represents a response of approximately 30% which is considered good. This compares favourably with the response rate for the last Staff Survey.
14. There has been mixed feedback from those senior staff consulted as part of this review. These can be broken down into three broad groupings as follows:
 - Some recognise that the implementation of a performance award system of this type in the House has been a cultural change for many; accept that there cannot be a perfect performance award system, but that PAS delivers the essential structures; and feel that the system should be allowed to run for at least another year (with possibly some amendments to the rules);
 - Some would like to see an alternative system, but recognise that abolishing the existing arrangements part way through without a viable alternative may be perceived as a 'knee jerk' reaction. They would

prefer to stick with existing arrangements and communicate to staff the intention to move to new arrangements from April 2011.

- Some do not like the system; feel that it is counter cultural for the House and damaging to staff morale. They also consider it to be too bureaucratic, resource intensive and would like it to be abolished now.

15. Feedback obtained so far from A-E staff (greater detail will be available once the data from the questionnaire has been analysed) indicates:

- A perception that project based and customer facing activities are favoured over more routine delivery based roles;
- A feeling that the system structure of three separate periods is inflexible and unable to reward good consistent performance over an extended timescale;
- A perception that those best at drafting nominations are more likely to be successful;
- A feeling that PAS panels are too remote from the work of the department to be able to properly prioritise nominations.

16. The unions do not like the current system and would like to see it abolished now and replaced with a system where all satisfactory performers receive an award, (which would therefore be of lower value) possibly twice a year.

17. They accept there is a requirement for public sector pay systems to include an element of performance pay and have indicated that they would support a smaller discretionary non consolidated award system, with a smaller number of awards, possibly of higher value and delegated to departments to administer.

Resourcing of PAS

18. Feedback on the resourcing requirements to operate PAS have revealed that:

- Although the application handling process is still onerous, experience of the first year has allowed it to become more a routine and efficient process for HR teams;
- Panel members have noted the significant time commitment required to sit on PAS panels. This is typically two days per panel each period which is equivalent to approximately 45 days per annum of SCS staff time¹.

¹ The DCCS/DIS panel considers nominations from DCCS and DIS; the DR/DF panel considers nominations from DR (incl. OoCE and Speakers) and DF. Each panel comprises three members and typically spends 2 days per panel per period. PICT has its own three member panel comprises senior staff for both Houses and PICT which typically sits for less than one day. This estimate excludes HR staff time for processing and staff and management time to complete nomination forms.

Operation of PAS Panels

19. Inflexibility in the funding rules has presented difficulties for panels. Although awards not allocated in one period roll forward to the next (within each financial year), the rules do not allow PAS panels to bring forward funding if they consider it to be necessary.
20. There is support from some panel members to moving to separate departmental management board panels (with senior HR representation from another department); although for some departments this is not considered to be feasible.

Feedback Staff Questionnaire

21. The emerging findings from the staff questionnaire based on 515 responses (DCCS 99; DF 95; DIS 159; DR 93; PICT 69) are shown below. Of those that expressed a view:
 - 74% of respondents strongly agree or agree that the principle of performance awards is a good one;
 - 74% of respondents strongly agree or agree that PAS should be abolished (DCCS 82%; DF 61%; DIS 84%; DR 60%; PICT 58%);
 - 64% of respondents strongly disagree or disagree that the existing scheme should remain in place with some amendments to allow PAS panels greater flexibility (DCCS 61%; DF 45%; DIS 61%; DR 38%; PICT 37%);
 - 78% of respondents strongly agree or agree that PAS nominations should be evaluated by departmental management boards (DCCS 78%; DF 81%; DIS 81%; DR 76%; PICT 86%).
22. Although these are only emerging findings they show that:
 - A majority of respondents support the principle of performance pay;
 - A majority of respondents support abolition the existing system;
 - A slightly smaller majority of respondents would not support the continuation of the existing arrangements with amendments;
 - There is support for PAS nominations being evaluated by departmental management boards.

The Way Forward

23. Based on the findings from the staff questionnaire, there is a strong desire that PAS should be abolished. It is considered therefore that there is not a 'Do nothing' option.
24. If PAS is to be abolished consideration needs to be given to when it should be abolished from and what can be put in its place as an interim arrangement for this year.
25. It should be recognised that many staff may have an expectation that they will be nominated for an award during Period 1 of Year Two which runs from 1st February until 31st May 2010. Nominations are due to be submitted in June 2010 with payment to successful nominees made in July 2010. Many will have been involved in work associated with the General Election which may be worthy of nomination. It is therefore considered inappropriate to abolish PAS retrospectively.
26. **Option 1** - The simplest approach would be to run PAS Period 1 of Year 2 and abolish it with effect from 31st May 2010. The residual funding would then be used to pay a flat rate award, by pay band, to all satisfactory performers for the period 1st June until 31st March 2011. Payments would be made in March 2011 salaries.
27. The advantages of this approach would be that Management would be seen to have listened to the views of staff that PAS should be abolished, the unions would be in agreement with the approach and interim arrangements can be communicated and implemented quickly.
28. In essence, for the period 1st June 2010 until 31st March 2011 all staff would receive an award except those under performance management procedures. Management would, however not have provided performance pay for this period in line with the Management Board's original objectives.
29. In addition it is likely that the final PAS period will generate a significant volume of nominations. Only 30% of these will receive an award with many others disappointed.
30. As part of the communications to staff and unions Management can highlight that staff were strongly supportive of the principle of performance pay and that work will now be taken forward for a revised system to be negotiated with the unions with effect from April 2011. It should be noted the public sector pay restraint is likely to have a major impact on our options for future systems.
31. The disadvantages are the risk of undermining the principles of the Performance and Development Management (PDM) system which has broken the link between reporting and performance pay and the likelihood of de-motivating some who had the expectation of PAS awards throughout 2010/11.

32. **Option 2 – Continue PAS** for 2010/11 (with some amendments) and announce that a successor system would be planned and negotiated with the unions for 2011/12. Suggested amendments to the existing system for 2010/11 might include:

- Further revision to the PAS Guidance so that it is explicit that good performance in more routine roles is worthy of an award;
- Flexibility to allow good performance over a sustained period to be recognised;
- Greater flexibility to allow panels discretion to bring forward awards from later periods to fit better with departmental business cycles where it is feasible to do so;
- Nominations to be evaluated by departmental management boards (with external HR representation) or by departmental panels of Directors (again with external HR representation) to address concerns that PAS panels are too remote from the work of the department to effectively prioritise nominations.

33. The advantages of this option are:

- It maintains continuity and avoids terminating the existing scheme without having a fully developed replacement;
- Avoids criticism of a ‘knee jerk’ reaction;
- Maintains performance award principles within A-E pay in line with the Management Board’s original requirements;
- Communicates to staff that management has listened to their views and is planning a revised performance system but from 2011.

34. The disadvantages are that the amendments will need to be negotiated with the unions who may not be co-operative, risking a dispute and that those staff not in favour of PAS may disengage from the process resulting in a system that is perceived as flawed.

35. A **sub option of Option 2** would be to gather nominations for Periods 1, 2 and 3 and hold single PAS Panels in February 2011 to consider all nominations. The advantages of this option would be:

- some reduction in the administrative burden for HR teams;
- a reduction in the number of PAS Panels meeting (although the meetings in February would be longer);
- the ability to consider nominations for good quality work over a sustained period.

36. The disadvantage is that the desire for payments to be made in-year would be lost.

Next Steps

37. The Management Board is invited to consider the Options 1 and 2 (and its sub option) and in light of the review findings decide which option should be pursued.

Reg Perry
Head, Pay, Policy and Employee Relations

20 April 2010