



General Purposes Committee

Date:	1 November 2017
Classification:	For General Release
Title:	Appraisal Arrangements for Chief Executive
Report of:	Director of People Services/Head of Committee and Governance Services
Financial Summary:	There are no financial implications
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1. Executive Summary

- 1.1 The process by which the Chief Executive's Annual Performance Appraisal is conducted has not been reviewed for a number of years. Currently the formal process is carried out by the Appointments Sub-Committee, as a non-executive function but in this report the process is reviewed.
- 1.2 The proposed new process is designed to allow for more meaningful Member input into the Chief Executive's Annual Performance Appraisal process.

2. Recommendations

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- 2.1 That the Council be recommended that the Appointments Sub-Committee Terms of Reference be amended by the deletion of the following:
 - “(2) Appraisal
 - (a) To undertake the annual performance appraisal of the Chief Executive”.
- 2.2 That, subject to the approval of recommendation (1) above, the Council be recommended to amend the additional term of reference of the Leader, as follows:

“To conduct the annual appraisal, including the setting of annual targets, of the Chief Executive and make an award in accordance with the Performance Related Pay Scheme currently in place, having regard to a report of the Director of People Services which shall include the views of the Council’s External Adviser (if any) appointed for these purposes, the Deputy Leader of the Council, the Leader of the Opposition, the Cabinet Member for Finance, Property and Corporate Services and such other Members or Officers as the Leader and/or the Director of People Services shall consider appropriate”.

3. Reason for Decision

- 3.1 With the post of Chief Executive becoming vacant it is timely to review this process so that any new arrangements can be in place ahead of the new Chief Executive starting.

4. Background Information

- 4.1 Broadly, it is proposed to retain most of the processes in place except to change the final element of the process, see item 5 for full details.
- 4.2 The Chief Executive is paid a salary. In addition, the remuneration package currently contains an element of deferred pay of 18%. The deferred amount comprises a performance element to recognise the significant accountability for the delivery of services and corporate objectives aligned to the management of the Council’s senior team.
- 4.3 Entitlement of the Chief Executive to the deferred element of salary is assessed on an annual cycle by the Appointments Sub-Committee and is payable as a one off payment. There is no contractual entitlement to the deferred element of salary.
- 4.4 Currently the appraisal is formally conducted by the Appointments Sub-Committee. They receive a report from the Director of People Services which has input from Nicholson McBride, who are the current consultants for this purpose. The consultant conducts a 360 degree feedback exercise and discusses the year’s performance with the Chief Executive, Leader and other leading Members and Officers and reports their findings to the Sub-Committee.
- 4.5 The Joint Negotiating Committee for Local Authority Chief Executives have issued guidance on the Appraisal of the Chief Executive. This is set out in Appendix 1 which is attached. The guidance has been considered and the proposals in this report accord with this guidance.

5. Review of the current process by Director of People Services

5.1 Positives of the process

- The 360 process is a thorough and rounded appraisal of the Chief Executive and is well managed by the current external consultant (John Nicholson) in a measured and professional manner.
- Both the Leader and the Chief Executive have the opportunity to select individuals to be interviewed as part of the 360 process, this ensures the Chief Executive has input in the process.

5.2 Areas for improvement in the current process

- The Appointments Sub-Committee is a very formal vehicle with which to give feedback to the Chief Executive. The best appraisal processes (see appendix) hinge on the quality of the 2 way conversation between line manager and individual. This is best done in a formal but welcoming and confidential environment. It is evident that the Sub-Committee is not an engaging experience for the Chief Executive. The quality of 2-way conversation is limited by the nature of the Sub-Committee's environment.
- The process stipulates that the Chief Executive presents his/her annual achievements to the Sub-Committee both through a paper and then verbally at the committee. Given the decision on deferred pay is directly linked to this presentation of achievement against objectives (along with the 360 feedback supplied by the external consultant) the presentation will always lack the sense of objective reflection that characterises the best appraisal interactions.

5.3 Recommended revised process

- The 360 process is maintained. This is a thorough and rounded appraisal of the Chief Executive and is objectively managed by an external consultant and has a number of different contributors with specific relevant perspectives.
- The Leader, Chief Executive and Leader of the Opposition will have input into the contributors to the 360 feedback.
- The Chief Executive submits his/her self-assessment against their objectives as part of the 360 process.
- The external consultant is asked to present their output in full via a written report to the Leader, Deputy Leader, Cabinet Member for Finance, Property and Corporate Services and the Leader of the Opposition.
- The Leader and Chief Executive hold a formal end of year appraisal meeting with the 360 and self-assessment reports as key inputs.
- The Leader confirms in writing the amount of deferred pay to be awarded to the Chief Executive having taken input from:
 - The Chief Executive at the annual appraisal meeting.
 - The external consultant (via 360 process).
 - Deputy Leader, Cabinet Member for Finance, Property and Corporate Services and the Leader of the Opposition via confidential discussions following the 360 process.
- Objectives for the year ahead are agreed collaboratively between the Leader and the Chief Executive. The process of setting objectives should be by

agreement and the result should be to identify objectives which are relevant and challenging but achievable.

5. Financial Implications

- 5.1 There are no financial implications arising from this report. Provision for any expenditure arising is contained in existing budgets.

6. Legal Implications

- 6.1 Section 112 of the Local Government Act 1972 sets out the power to employ staff. The terms and conditions are a matter for local discretion. The method in which the Chief Executive's appraisal is conducted is a matter for local choice. Currently, the Council regards this as a non-executive function but it can equally be regarded as an executive function, as outlined in this report. (Legal Implications verified by LeVerne Parker, Chief Solicitor (Property and Planning))

- 7. Other Implications:** None.

**If you have any questions about this report, or wish to inspect one of the background papers, please contact Mick Steward:
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Appendix

JOINT NEGOTIATING COMMITTEE for LOCAL AUTHORITY CHIEF EXECUTIVES. NATIONAL SALARY FRAMEWORK & CONDITIONS OF SERVICE HANDBOOK

October 2016

JOINT GUIDANCE ON APPRAISAL OF THE CHIEF EXECUTIVE

1. INTRODUCTION

- 1.1 This guidance is intended for use by senior elected members and the chief executive when agreeing a process for appraising the performance of the chief executive. The focus of this process should be on clarifying what the chief executive is expected to achieve and on identifying any continuing developmental needs which, if met, would maintain a high level of performance. The process of setting objectives should be by agreement and the result should be to identify objectives which are relevant and challenging but achievable.
- 1.2 The process should not become complex. At all times it needs to focus clearly on a few basic issues: what the chief executive's job is; what has been done well; what could have been done better; the major issues over the next year; and what developmental needs the process clearly identifies.

2. RESPONSIBILITY FOR APPRAISAL

- 2.1 The responsibility for appraising the chief executive lies with senior elected members. It is a contractual obligation on the part of both the chief executive and the employing council to engage in a regular process of appraisal.
- 2.2 It will be for local decision in the light of local circumstances whether the appraisal should be carried out by a small committee representing all political groups or by a senior representative or representatives of the controlling group. Whichever approach is adopted, those conducting the appraisal need to bear in mind at all times that the chief executive is employed by the council as a whole, not by the controlling group, and is therefore required to serve all of the council.

3. AIMS OF APPRAISAL

- To identify and clarify the key objectives, priorities and targets of the council and appropriate timescales for their achievement over the next (e.g. twelve) months

- Agree what the chief executive should personally achieve over the next (e.g. twelve) months and identify required standards of performance, in order to deliver the council's key objectives, priorities and targets. Wherever possible standards of performance should be expressed in ways which can be monitored objectively. Discuss positive achievements over the past (e.g. twelve) months and identify reasons for good performance.
- Discuss instances over the past (e.g. twelve) months where targets have not been met, identifying the factors preventing the achievements of agreed goals.
- Discuss developmental requirements. The chief executive will have strengths and weaknesses and the parties should identify the professional development necessary to equip the chief executive with the requisite skills to meet the council's objectives. The parties should be proactive and anticipate future developmental needs in the context of the council's changing priorities. This discussion could lead to the design of a formal programme of continuous professional development (CPD). Equally this discussion may lead to agreement on changes to the working relationship between leading members and the chief executive. It should not be assumed that it is only the chief executive who may need to adjust his / her approach to the working relationship.

3.1 Appraisal should be set in the context of the council's objectives, priorities and targets, generally expressed in corporate plans. Appraisal targets when taken as a whole should be related to agreed targets for the council as a whole.

4. THE APPRAISAL CYCLE

4.1 Appraisal should take place on a predetermined date, **at least annually**, backed up by regular monitoring meetings at which targets can be reviewed for continuing relevance. A formal system of appraisal should not prevent the continuous review of progress and performance.

5. KEY ELEMENTS OF THE APPRAISAL PROCESS

- Continuous two-way monitoring of performance against objectives
- Preparation for an appraisal interview
- An appraisal interview where recent and current performance, future objectives and development needs are discussed
- Agreement on action required from either party to ensure required performance is achievable
- A continuing process of informal discussion regarding performance

6. The appraisal interview and afterwards

- Both parties should be well informed and prepared for the interview.

- The process should be two-way.
- The interview should be free from interruptions, and notes should be taken when necessary.
- The parties should concentrate as far as possible on established facts rather than unsubstantiated opinions.
- Targets which are realistic and capable of being monitored should be agreed.
- Any agreed personal development plans should be implemented within the agreed timescale.
- The chief executive should be given a reasonable opportunity to correct any shortfalls in performance.
- A date for the next review should be agreed.

7. EXTERNAL ASSISTANCE

- 7.1 External assistance in facilitating the appraisal process can be helpful in providing an independent perspective.
- 7.2 Within the local government 'family', it may be sought from the Local Government Association or by contacting the Employers' Secretary or from the appropriate Regional Employers' Organisation or ALACE or SOLACE. Alternatively such assistance may be available from commercial sources, such as consultancy firms.
- 7.3 Such assistance from the aforementioned organisations may take the form of them either directly participating in the process for which a fee may be requested to cover staff time or the recommendation of, for example, a suitably experienced recently retired senior officer or other independent individual.

Note: If external assistance is sought, it must have the agreement of both sides.

8. OTHER MATTERS

- 8.1 The detailed content of appraisal interviews should normally be treated as confidential to the participants, unless both parties agree that it would be helpful for the targets agreed for the ensuing period to be shared more widely. However, it may be useful to report to an appropriate committee meeting that an appraisal interview has taken place.
- 8.2 This may be useful in acting as a reminder that the chief executive and members need to ensure that chief officers are in their turn appraised.
- 8.3 It should, however, not be assumed that the process for appraising the chief executive should be followed in precise detail for other staff. There is a fundamental difference between elected members appraising the chief executive and managers appraising subordinates. The principles, nevertheless, are the same.