



# SCOTTISH EXECUTIVE

Health Department  
Workforce Directorate

Dear Colleague

## APPRAISAL ARRANGEMENTS FOR STAFF IN EXECUTIVE AND SENIOR MANAGER GRADES

1. This letter announces:

1.1 The creation of a new body to be called the National Performance Management Committee to oversee performance management and appraisal and ensure pay for performance is robust.

1.2 The first stages in the transitional arrangements for moving to full introduction of a comprehensive performance management and development planning system with effect from April 2007.

2. The arrangements apply to managers included in the New Executive Cohort and now paid on Executive Grades A to I introduced by [HDL \(2006\) 23](#). In addition it is expected that a number of managers, currently paid on Executive Levels 8 to 3 and Senior Manager Grades 5 to 12, will become subject to the pay provisions in [HDL \(2006\) 23](#). Similar (but not identical) arrangements for their appraisal will therefore be required and this will be incorporated in updated guidance on the performance management and development planning for all managers not covered by Agenda for Change to be issued later this year.

3. The requirements set out below are mandatory for all staff in the new Executive Managers' Cohort in NHS Boards, NHS National services Scotland, the State Hospital Board for Scotland, NHS Education for Scotland, NHS Quality Improvement for Scotland, NHS Health Education, NHS24, Scottish Ambulance Service and National Waiting Times Centre Board, hereinafter referred to as employing authorities.

### 4. Background

4.1 [HDL\(2002\)64](#) introduced new arrangements for the appraisal of staff on Executive and Senior Manager pay ranges and gave guidance on governance arrangements and the importance of having evidence-based audit-proof systems in place. There is concern that these arrangements have not been applied fully and consistently across all employing authorities.

1.

05 September 2006

### Addressees

#### For action

Chairs and Chief Executives of Health Boards, NHS National Services Scotland, State Hospital Board for Scotland, NHS Health Scotland, NHS Quality improvement Scotland, NHS 24, National Waiting Times Centre Board.

#### For information

Members of the NHSScotland Scottish Partnership Forum and Local Partnership Forums.

### Enquiries to:

John Cowie  
Scottish Executive Health Department  
Workforce Directorate  
Ground Floor Rear  
St Andrew's House  
EDINBURGH EH1 3DG

Tel: 0131-244-3024  
Fax: 0131-244-2837

Email:  
[John.cowie@scotland.gsi.gov.uk](mailto:John.cowie@scotland.gsi.gov.uk)



4.2 The Report of the Executive Managers Review Working Group, which has been accepted by Ministers, stipulated that pay increases for Executive Managers must be dependent on performance and reiterated the importance of systematic performance management linked to organisational and national priorities. It is therefore essential that a framework and processes to ensure that such a system exists are in place before any performance-based pay increases can be applied.

4.3 The draft HDL issued for consultation in April 2006 set out some of the thinking around how this objective could be achieved. Responses from Boards have been taken account of in developing the actions and requirements which are now set out below.

4.4 A comprehensive performance management and development planning system for Executive Managers will be introduced in stages over the next six months, so that the system is fully operational from April 2007.

The significant elements of this are:

- Establishment of the National Performance Management Committee;
- Transitional arrangements for the appraisal year 2005/06 which will allow performance-based increases to be applied with effect from October 2006;
- Seminars for Remuneration Committee members and HR Directors with members of the NPMC on 22 November and 7 December 2006; and
- Publication of updated guidance for all managers not covered by Agenda for Change, including detailed descriptions of roles and accountabilities and the annual cycle for operating the process.

4.5 This HDL deals with the first two steps in this process. Work will continue on finalising the guidance document, together with information on roles and accountabilities and the annual cycle of events and these will be incorporated in a further HDL which will be issued before the first seminar for Remuneration Committee members on 22 November.

## **5. National Performance Management Committee**

5.1 The role of the NPMC is to ensure on behalf of the SEHD, the effective and consistent application of pay and performance management arrangements for NHS Scotland Executives and to generate effective delivery of health services to meet the needs of the people of Scotland.

5.2 The NPMC will have an independent chair plus four members nominated by the Scottish NHS Employers Chairs Group. The NHS Chief Executive and Director of Workforce will attend meetings.

5.3 The specific responsibilities of the NPMC are:

- To monitor and advise the Department on the effectiveness of the new appraisal arrangements for the Executive Managers Cohort;

- To determine and oversee the performance management assessment process for the Executive Managers Cohort;
- To ensure consistency between Boards and an acceptable degree of correlation between Boards' overall performance and their assessment of executive performance;
- To provide support and guidance to Chairs and members of NHS Board Remuneration Committees; and
- To agree payment of performance-based pay increases for staff in the Executive Cohort, subject to Ministerial Pay Directives.

## 6. Transitional Arrangements for Appraisal Year 2005/06

6.1 [HDL\(2006\)23](#) introduced revised pay arrangements for managers in the new Executive Cohort with effect from 1 October 2005, subject to their acceptance of the new contract of employment contained in the HDL. Performance-based pay increases from 1 October 2006 are subject to assessment using the following 5-point rating scale (in Appendix 2 of the HDL).

*Unsatisfactory:* Misses most targets

*Incomplete:* Misses some targets without counterbalancing with over-achievements

*Complete:* Balances shortfalls with over-achievements

*Superior:* Meets all targets and exceeds most

*Outstanding:* Substantially exceeds all targets

6.2 The appraisals for the year 2005/06 should now be completed. Where these have been done using the the 3-point scale, employing authorities should convert the performance rating to one of the ratings on the 5-point scale. In so doing they should have regard to the guidance on performance management in paragraphs 4 to 6 in Appendix 2 to [HDL \(2006\) 23](#).

6.3 Employing authorities should submit a report to the SEHD by 30<sup>th</sup> September 2006 in the pro forma at Annex B detailing managers in the Executive Cohort by name, post, grade, current salary and provisional performance rating for 2005/06 against the 5-point scale. The pro forma should be accompanied by a narrative giving an overview of the Remuneration Committee's assessment of Executives' and the Board's performance in 2005/06. The Report should be signed by the Chair of the Remuneration Committee.

6.4 These reports will be considered by the NPMC on 26<sup>th</sup> October, along with SEHD data on the assessment of Boards' performance and the outcome of Annual Reviews. The NPMC will then agree performance ratings. Performance-based pay increases will then be applied with effect from 1<sup>st</sup> October 2006 subject to Ministerial approval.

6.5 The NPMC will require reports only on those managers included in the New Executive Cohort but Boards should be aware that managers who do not transfer to Agenda for Change, and will therefore be subject to the same pay arrangements as those currently in the Cohort, will require to have their performance ratings

converted for use with the 5-point scale so that performance based increases can be applied from October 2006.

## 7. **Future Years**

7.1 Work on the following elements in the overall process will be completed before the seminars for Remuneration Committee members and will be incorporated in a further HDL to be issued later in 2006.

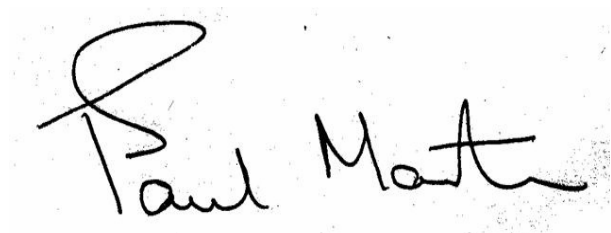
- A process for developing and signing off the National Framework of Priorities for Executives on an annual basis in a manner which ensures proper partnership involvement;
- A process for combining organisational and personal performance which is supported by the SEHD Directorate of Delivery;
- An annual timetable of actions detailing clear roles and accountabilities for introduction from January 2007; and
- A comprehensive guidance document building on, and updating, the guidance in [HDL\(2002\)64](#).

## 8. **Action**

Chairs of employing authorities and Remuneration Committees and Chief Executives are asked to:

- Ensure that the Report required, 6.3 above, is submitted to the SEHD by 30 September 2006;
- Ensure that Chairs, Remuneration Committee members and HR Directors attend one of the seminars on 22<sup>nd</sup> November or 7<sup>th</sup> December 2006.
- Ensure that this letter is copied to Local Partnership Forums for information.

Yours sincerely

A handwritten signature in black ink that reads "Paul Martin". The signature is written in a cursive style with a large, stylized initial 'P'.

**PAUL MARTIN**

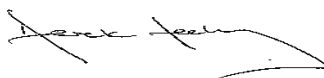
Chief Nursing Officer and Interim Director for Workforce

**DIRECTION FOR APPRAISAL ARRANGEMENTS FOR STAFF IN EXECUTIVE AND SENIOR MANAGER GRADES**

**NATIONAL HEALTH SERVICE (SCOTLAND) APPRAISAL ARRANGEMENTS FOR STAFF IN EXECUTIVE AND SENIOR MANAGER GRADES DIRECTION 2006**

1. The Scottish Ministers in exercise of powers conferred on them by section 105(7) of, and paragraph 5 of Schedule 1, paragraph 7 of Schedule 5 and paragraph 6(1) of Schedule 7A to the National Health Service (Scotland) Act 1978 (as amended) hereby give the following direction.
2. This direction may be cited as the “Appraisal Arrangements for staff in Executive and Senior Managers Grades Direction” 2006 and is given to Health Boards, NHS National Services Scotland, the State Hospital Board for Scotland, NHS Health Scotland, NHS Quality Improvement Scotland, Scottish Ambulance Service, NHS Education for Scotland, NHS 24 and National Waiting Times Centre Board, hereinafter referred to as “employing authorities”.
3. Employing Authorities should comply with the requirements in paragraph 6 of this HDL.

Signed by authority of the Scottish Ministers



**DEREK FEELEY**

Director of Healthcare Policy & Strategy  
A member of staff of the Scottish Executive

St Andrew's House  
EDINBURGH  
5 September 2006

