**BOARD REPORT**

**AGENDA ITEM: 12  
REPORT NUMBER: SLAB/2023/28**

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| **Report to:** | The Board |
| **Meeting Date:** | 31 July 2023 |
| **Report Title:** | Staff Performance |
| **Report Category:** | For Information |
| **Issue status:** | Business as usual |

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| **Written by:** | Linda Ross, Director of Corporate Services |
| **Director responsible:** | Linda Ross |
| **Presented by:** | Linda Ross |
| **Contact details:** | rossli@slab.org.uk |

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| **Delivery of Strategic Objectives** | |
| Select the Strategic Objective(s) relevant to the issues | 1. Investing in our People: We support our people to develop the skills and ways of working needed to deliver our mission, both now and in the future |

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| **Link to Board or Committee Remit** |
| This is linked to the Board’s role in oversight of key organisational activity and monitoring performance. |

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| **Publication of the Paper** |
| We consider this paper suitable for publication. |

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| **Executive Summary** |
| Internal Audit carried out a consultancy review of staff performance in conjunction with HR who had identified gaps in the process, with findings reported to the Audit Committee in June 2023. Audit Committee requested that this be escalated to Board.  Pending a full review of policy and exploration of Oracle system usage, an interim process has been put in place for 2022-23. This process has been implemented as we launch the 2023-26 Corporate Business Plan, with annual 2023-24 business plan.  Annual performance discussions are supplemented by regular 1-1 catch ups. These 1-1s were implemented during the covid disruption and augmented by wellbeing conversations are well embedded into the culture across all our teams. |

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| **Previous Consideration** | |
| **Meeting** | **Detail** |
| June 2023 Audit Committee | Audit Committee considered the consultancy review of staff performance at their meeting in June 2023. Committee asked for further information and escalation to Board. |

**1.** **INTRODUCTION**

The 2022-23 internal audit plan included a review of staff performance management. The previous process had already been identified as requiring review and the audit work was changed to support HR in the development of new process. Therefore the audit work was changed to consultancy work to support HR in development of a new process. To do this audit looked at prior practice, confirming our position on the need for review, and suggested improvements in the process.

Audit Committee considered the consultancy review of staff performance at their meeting in June 2023.

As part of the audit work, they looked at the 2021-22 performance returns. This reported a low return rate of formal annual performance appraisal documentation. Following discussion, the Committee requested that the issue be escalated to the Board.

**2. BACKGROUND**

SLAB has a formal staff performance management process, including templates for interim and annual performance reviews, objective setting and the identification of training and development opportunities. This process has not been updated for over a decade and as we have been aware for some time that it no longer reflects best practice we have explored additional or alternative means of supporting a positive culture of performance management and placed less emphasis on the completion of the formal process.

With the challenges involved in conducting formal reviews during the early stages of pandemic and in recognition of the elevated risk of reduced contact with managers, staff isolation and potential associated performance as well as wellbeing issues, we placed greater emphasis on ongoing 1-1 contact and feedback, with regular formal wellbeing conversations, backed by regular staff surveys. This was viewed as giving a more rounded, regular and meaningful approach to management feedback than the somewhat out of date formal annual process.

We fully intended to review and replace the formal process, but this was not made a priority for 2022-23 in light of the wide range of other priority objectives for our HR team. These include establishing the full policy review and EQIA process to which we were already committed via the EHRC agreement, the development of our approach to job evaluation and grading, the specification, procurement and implementation of a leadership development programme, the extended negotiations around pay and the development of proposals for pension reform.

The prioritisation of this other work was either externally driven or reflective of the findings of the 2021 staff survey. This showed that the revised arrangements appeared to be working well, with fewer than 10% of staff unclear about their objectives or reporting that their one-to-one conversations with their manager were not helping them achieve their full potential, a majority reporting discussing progress against objectives at least quarterly (and the vast majority annually), and over 80% receiving regular feedback from their managers. The findings also indicated that performance management arrangements were somewhat looser in CLAO and PDSO, which was in line with previous findings (from staff surveys, internal audits and business process reviews) that suggested less cultural and procedural alignment in these areas of the organisation.

This is the context in which internal audit were asked to provide consultancy support to the HR team as they sought to formulate an interim approach to performance reviews for the 2022-23 year and plan the development of a replacement performance management and objective setting and review process.

**3. INTERNAL AUDIT FINDINGS**

In summary, the audit work identified the following good practice:

* All new starts are provided with training on the performance management process
* Line managers are further provided with external training
* Performance review documentation including guidelines for staff and Managers and templates are readily available

However, improvements would be made through:

* Providing additional guidance and administration to support the monitoring process, including development of policy. This would include guidance on the timely nature of the discussions and expectations of a moderation process.

**4. ACTION TAKEN**

The audit consultancy work was carried out in December 2022 and reported to management at that time. Since then, the following actions have been taken:

* Corporate Plan: The 2023-26 Corporate Plan has been developed and approved along with the 2023-24 annual business plan. As noted in the March 2023 Board report, the development of the plan included several staff engagement events as well as more detailed input from Managers. As this work has developed, the consistent reference has been made to the “golden thread” ensuring that staff can both see and understand where their works links to the Corporate Plan.

This work has been further reflected in Directorate business plans, which have aligned to the corporate objectives and each Director has further engaged with their teams.

This “golden thread” has given a renewed focus to setting objectives. The development of an annual business plan to support the corporate plan enables this process to be embedded.

* Interim process and guidance: Following discussion at Executive Team, HR devised an interim approach to performance appraisals for 2022-23. This was launched with guidance in early May with target for all performance discussions to be held by end of June. Compliance is being managed by the Directors.

The revised process has been welcomed by both managers and staff. Engagement has been very positive. Reviews are complete for all staff in Strategy Development, Legal Services. A small number, total 15 are outstanding but scheduled across Corporate Services and Operations. Within Client Legal Services, the process has not been followed in the past, so it is encouraging that all reviews are complete in Solicitor Contact Line, with plans in place to complete reviews for all staff in PDSO and CLAO.

**4. NEXT STEPS**

The recommendations in the audit report will be fully actioned. Feedback from this year’s interim appraisal process will be used to develop our long-term policy and practice.

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|  | **Governance Links** |
| 1 | **Finance and Resources**  Nothing additional to note. |
| 2 | **Risk**  There is a risk that delays in completing appraisal reviews and documentation could negatively impact staff motivation and morale and delay action being agreed to improve performance. |
| 3 | **Legal and Compliance**  No issues to note. |
| 4 | **Performance**  As outlined in the audit report, provisional revised times have been agreed with the adequacy of the Performance Management framework due to be assessed in Q4 2023/24, with effectiveness tested in Q4 2024/25. This will allow the procedures to be embedded. |
| 5 | **Equalities Impact**  Not applicable. |
| 6 | **Privacy Impact and Data Protection**  Not applicable. |
| 7 | **Communications and Engagement**  We consider this paper suitable for publication. |