Council Meeting – Friday 17 September 2010

Council members performance and development review system

Executive summary and recommendations

Introduction
The Good Governance Standard for Public Services provides that:

"good governance means developing the capacity and capability of the governing body to be effective by; making sure that appointed and elected governors have the skills, knowledge and experience they need to perform well; and developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group."

As part of its governance role and as outlined in the Secretariat workplan, Secretariat has reviewed the Council Member review system, and has made a number of recommendations.

Decision
Council is asked to discuss the report, and approve the recommendations set out in paragraph 5 on pages 6-7.

Resource implications
Proposed additions to the review system for 2010-11 would be achieved within existing Secretariat resources.

Financial implications
Secretariat will continue to support the annual review system within existing resources. Subject to the approval of exploring the viability of a 360-degree system, funding would be required to progress this although no figures are known at this stage.

Appendices
A - Review of the Council members review system
B - Feedback from Council Members
C - Draft review form for 2010-2011

Date of paper:
25 August 2010

Council member performance and development review system

1. Introduction

1.1. The Council member appraisal system has been reviewed as part of the Secretariat work plan 2010-11. The review was conducted to ensure that the process remained a best practice mechanism in the light of changes to the composition of the Council, and to ensure that the appraisal system effectively feeds into the Appointment Commission reappointment process for Council Members and for the Chair of Council.

1.2. Whilst the detail of the reappointment process has yet to be finalised by the Privy Council and Appointment Commission, as detailed in the application pack sent to all candidates in Spring 2009, a satisfactory performance review will form part of any process.

2. Feedback from Council members

2.1. During the 2009/10 review, members were asked to provide feedback on the system itself (full results of the questionnaires are attached at appendix B). This document provides a discussion of the themes from the feedback and recommendations regarding the review system.

2.2. Feedback received from a majority of Council members shows that the current system is valuable in allowing them the opportunity to reflect on their own performance, focus on the essential elements of their role, and particularly to provide feedback on the performance of the Chair, the executive and the Council as a whole.

2.3. Suggestions for the improvements to the individual member review system were provided by a majority of members who responded and mainly focussed on the introduction of mechanisms for additional feedback. These included:

- feedback from Committee Chairs;
- feedback from other members/peers; and
- feedback from Directors.

2.4. Two members also mentioned that there is currently no mechanism for feeding back to Committee Chairs on their performance.

2.5. There was a concern from three members that the current system was onerous on the Council Chair.

3. Proposals

Options for further feedback mechanisms

3.1. Robust evaluation of a member's contribution is increasingly regarded in line with best practice in Board Appraisals. A mechanism for formal objective setting and appraisal is one of the main recommendations of Deloitte in their recent review of the Audit Commission Board[1].

3.2. The UK Corporate Governance Code provides that individual evaluation should aim to show whether Board Members continue to contribute effectively and to demonstrate commitment to the role (including commitment of time for board and committee meetings and any other duties)[2].

3.3. Carver's policy governance model[3] provides that it is a fundamental function of the Board as a body to define its expectations, assign these expectations to someone, and check they were met.

3.4. Whilst it may not necessarily be appropriate for individual Members to agree formal objectives, it may be useful for Members to receive an element of feedback on their work to help them identify areas for development, and to ensure that their responsibility to review their own performance is complete.

3.5. The amount of data collected can vary enormously between organisations. FTSE 200 companies that collect feedback regarding the performance of non-executive directors do so from four main sources[4]:

- Company Chairs
- Committee Chairs
- Other Non-Executive Directors (Peers)
- Executive Directors

(i) <u>Feedback by Committee Chairs</u>

3.6. Committee chairs would be directed to comment briefly on observable behaviours, and would be given a short list of prompts in order that responses have a general structure, and remain constructive. For example:

- In what areas have the members made a positive contribution? (for example a member may have helped to focus the attention of the Committee on the Equality implications of strategic decisions).

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[1] *Review of Board effectiveness* - Audit Commission, Deloitte (May 2009)
[2] *The UK Corporate Governance Code* - Financial Reporting Council (June 2010)
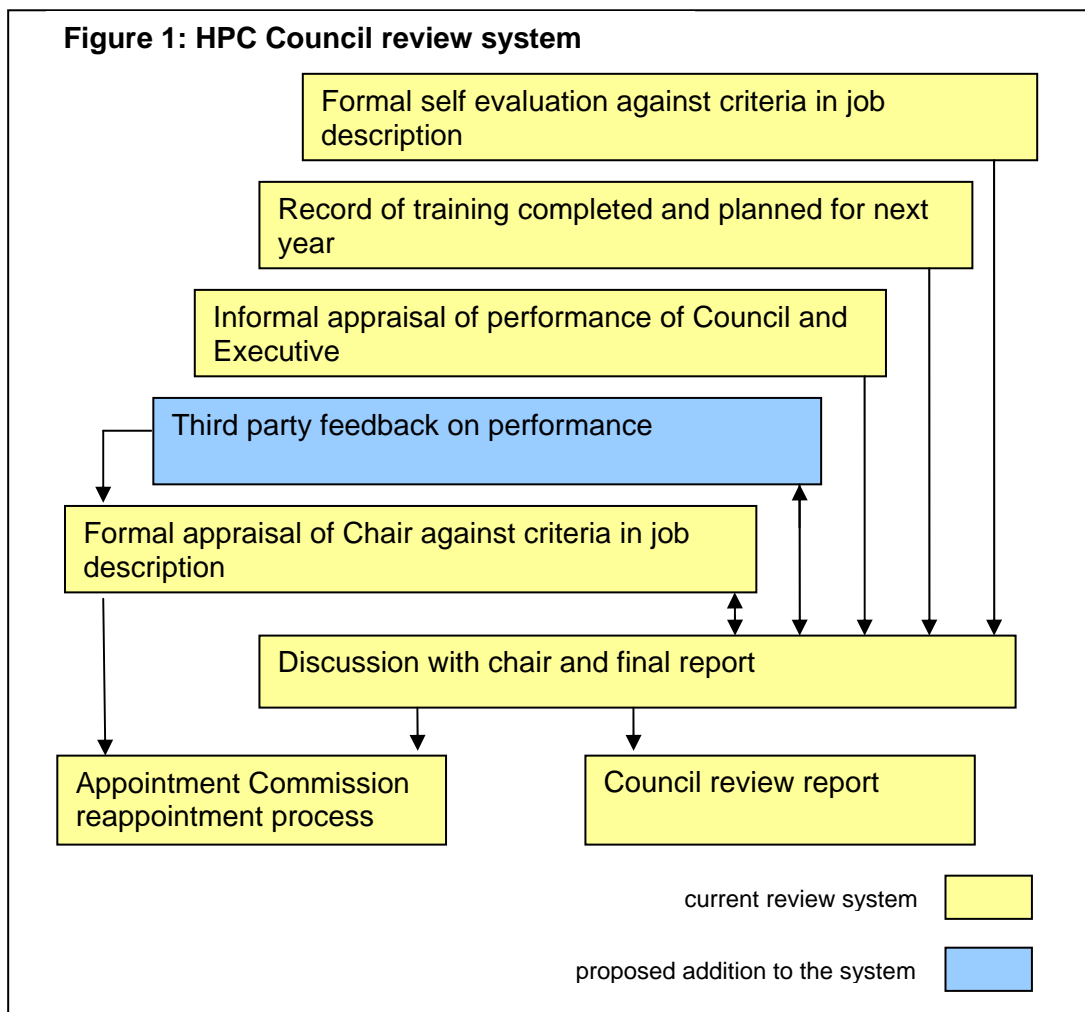[3] *Reinventing your board* - Carver & Carver(2006)
[4] *Review of the 2009 annual reports of the FTSE 200 companies* - ICSA (April 2010)

3

- What could the Council Member improve?
  (for example a member may benefit from further training on the legal context for Committee decisions).

- What would you like to see from the member in the coming year?
  (for example the member may have particular expertise that would benefit the development of a upcoming project by the executive).

3.7. These comments would be given to members for reflection before the meeting with the Council Chair. Comments from Committee Chairs would be subject to a similar appeal mechanism as comments from the full review meeting.

3.8. Committee Chairs would be subject to a similar process as the Council Chair, with members invited to rate and comment on performance against the role brief for Committee Chairs[5]. Feedback would be shared with Committee Chairs prior to their review meeting with the Council Chair.

3.9. The addition of a mechanism for feedback from Committee Chairs could be achieved without affecting the structure of the existing review system, and without increasing the workload significantly for the Council Chair.

Figure 1: HPC Council review system

Formal self evaluation against criteria in job description

Record of training completed and planned for next year

Informal appraisal of performance of Council and Executive

Third party feedback on performance

Formal appraisal of Chair against criteria in job description

Discussion with chair and final report

Appointment Commission reappointment process

Council review report

current review system

proposed addition to the system

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[5] *Role of chair of committees* - agreed by the Council on 7 December 2004

3.10. The collection and collation of feedback on members by Committee Chairs could be administered by the Secretariat with existing resources, although it would add an extra week to the process. There would also be an increase in work for Committee Chairs.

3.11. **It is therefore recommended that the mechanism for Committee Chairs to provide feedback on their Committee members and vice-versa be added to the current review system for implementation in 2010-2011.**

(ii)   <u>Feedback on the Council Chair</u>

3.12. As with the reappointment of council members, the reappointment of the Chair will also be dependent upon a satisfactory performance review. Under the existing system, feedback is sought from members on the performance of the Council Chair. It is therefore proposed that the feedback from Council members on the performance of the Chair together with comments from the Chief Executive will feed into the performance review of the Chair.

3.13. Collection of feedback from the Chief Executive on the performance of the Chair could be administered by the Secretariat.

3.14. **It is therefore recommended that the mechanism for the Chief Executive to provide feedback on the Council Chair be added to the current review system for implementation in 2010-2011.**

(iii)   <u>360-degree feedback</u>

3.15. A growing number of boards, both public sector and private, are choosing to support the development of individual board members by collecting '360-degree feedback' as suggested by members in the review. This approach offers board members perspectives on their approach, performance and contribution from a range of colleagues with whom they have regular contact.

3.16. CIPD recommends conducting a combination of questionnaires and interviews of with feedback providers[6], and presenting the results to the appraised for them to draw conclusions on their own performance. Organisations generally use either external consultants (such as Barclays[7]) or a confidential online system (HPC Partners) to collect and disseminate the data.

3.17. Bodies which have developed and administer their own review system, like the Office of Fair Trading, collect short statements from peers to support appraisal interviews. These are generally administered internally.

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[6] *Guidance on 360 degree feedback,* CIPD (Nov 2009)
[7] *Review of 2009 annual reports of FTSE200 Companies*, ICSA (April 2010)

3.18. Research on the effectiveness of 360 degree appraisal is varied, in part due to the well documented challenges in measuring Board effectiveness. Whilst the number of organisations utilising the approach is rapidly increasing, a small number of organisations such as Rail Passenger Focus have rejected 360 systems following pilots.

3.19. The collection of 360-degree feedback from the Executive and peers within the Council would require further exploration, and is likely to require external input in the form of an online system to collect feedback.

3.20. A peer review mechanism has been introduced as part of the performance appraisal system for HPC Partners. Panel member performance is reviewed by other Panel members and Chairs and fed back to the department. This process is currently under review by the Partners department, and Secretariat will consider conclusions from that review in any further work on peer or 360-degree reviews.

3.21. **It is therefore recommended that the Executive be tasked with exploring further the viability of introducing a 360-degree review system for members of Council.**

Members' attendance records

3.22. The Code of Conduct which was approved by the Council in May 2009, provided that attendance records of members at Council and Committee meetings would form part of the performance review. The form at appendix C has been amended to reflect that decision.

3.23. **Members are asked to note that attendance records will now form part of the performance review.**

4. Timing of reviews

4.1. Annual reviews currently take place between February and April of each year. In the past this has been scheduled to fit with the election timetable, which would take place between March and July, so that members were given appraisals as close to the end of the term cycle as was practical.

4.2. The Appointment Commission reappointments process is likely to take place between February and March of each year to allow the Council to make any necessary arrangements before terms of office expire in July of each year.

4.3. Moving the review process to take place between December and January would allow conclusions from the annual reviews to feed into the reappointment process.

5. **Recommendations**

5.1. The Council is asked to discuss the report and agree to the following recommendations; that:

1. existing aspects of the review process should be retained;

2. Starting with the review process for 2010-2011, feedback should now be collected from:

   - Committee Chairs on Council member performance;
   - Committee members on Committee Chair performance, subject to the approval of the Role of Committee Chairs;
   - Chief Executive on the Council Chair performance;

3. Feedback should be collected using the form at appendix C;

4. the Executive be tasked with exploring further the viability of introducing a 360-degree review system for members of Council.

5. Council review process should be moved to take place between December and January.

5.2. The Council is requested to note that attendance records at Council and committee meetings will now form part of the review process.

HPC competency based appraisal 2009-10 - Feedback on the review process

From discussions with the Chair

1 **The process remains a useful exercise**
2 No issues with the form – remains a useful process, especially time to discuss issues.
3 Review form – a useful exercise despite having a long track record of service at HPC.
4 Form useful, despite having completed it a number of times. Provides opportunity for useful reflection
5 Form remains a useful way of reflecting on the year and would not want to see any changes to the process. Important to have some consistency in process when so much in the organisation is changing.
6 Form satisfactory – feels familiar but still provides a helpful reflection on the year
7 Form remains useful, although the face to face discussion always has more value that the form itself.
8 Completing the form continues to be a helpful exercise.
9 A useful exercise, provides an opportunity to give reflective detailed account of each competency.
10 Found the form useful – quite similar to review processes elsewhere
11 Reflections continue to be useful both personally and organisationally

Date: 2009-04-30
Ver: a
Dept/Cmte: SEC
Doc Type: DCB
Title: Members feedback - 2008-9
Status: Draft
Security: Confidential

Aspects of the process that work well

1 **Members find the opportunity for reflection useful**
2 It is good to have to make the time to consider your performance and committment
3 Self-assessment as a basis of evaluation and asking for feedback on chair are very positive things.
4 General principles are good
5 The need to reflect on performance before the review date
6 To me the paperwork supports and facilitates the discussion and should not become an end in itself
7 It is clearly a useful exercise to consolidate your thought on both your own and the Chair performance.
8

Happy with the current arrangement, pleased to have an opportunity to comment on the performance of the Chief Executive.

Members find the interview with the Chair useful
9 The ease of completion of the pro-forma and the quality of the discussion with the President.
10 The interview with the Chair
11 The opportunity for a one to one conversation with Anna is valuable
12 Works like a mini 360° which I like. The telephone interview works well and saves the planet.
13 The actual discussion with the president is always useful – and it works well by telephone
14 Opportunity to have one to one discussion with Chair on contribution is to my mind the main strength of the system.

Aspects of the process that should be changed

Most members are happy with the current system

1. Having been a Council member for some years completion of the form can be a little iterative but it is still a useful tool to use for reflection
2. Seems to work fine
3. I think that this process continues to work well
4. Overwhelming conclusions from discussions with the Chair are that the system works well
5. I think it would be difficult to improve the current process.
6. I think it should continue in its present form for the time being. It provides consistency in an ever changing organisation.

Further reflection from members on their individual input may be appropriate

7. Competencies may be appropriate at selection. At appraisal you should consider effectiveness and thus results or outcomes (rather than inputs). A general discussion about how the member's input has led to greater effectiveness of council or HPC's operations should help.
8. A useful exercise to review personal competencies but the process could work better if it also required Members to look at their impact on the organisation. For example asking Members to comment on one thing/area where they feel they have personally made a difference to the HPC.
9.
    Generally I believe the essence of the review is good, it may require some 'tweaking' to be more appropriate to the new council.

Members are concerned the process is onerous for the Chair

10. It is a big commitment for the Chair, but now the Council is smaller it may be a bit easier.
11. I think the bigger issue is whether the Chair feels the system is manageable
12. Considering the number of reviews required it is perhaps an onerous exercise for the Chair

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Anything we could add to the process to improve it

Additional feedback and reflection may be useful

1. Council's effectiveness lies in leading results achieved (through the executive) against strategic priorities. Asking feedback on (a) did the council get the executive to achieve strategic results effectively and (b) how could the council be more effective together could help.

2. Having a mini-appraisal with committee chairs that you participate in feeding in to the overall process would help.

3. Not sure of the logistics but some sort of peer review or feedback from Council member colleagues or Executive

4. Perhaps a place to add feedback on eg our views of other members, directors, Chairs of Committees in case we could all learn from that feedback

5. For Committee Chairmen there is no specific question regarding their performance in that role. The addition of this might be helpful.

6. Might be worth comparing our Council member competencies with others to see if there are significant differences or gaps

7. I would appreciate a specific debate around general issues raised by members

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Is there another process we can learn from?

1 I use and have used others but nothing so far to add to this process
2 I am involved in others but their processes are inferior to those adopted by HPC.
3 Funding reviews eg SIFT (non Medical allocation); first time ever,
4 No
5 I am sure there are lots of them but again the opportunity for a discussion is the most important factor
6 Not really but I found the following link interesting: http://managementhelp.org/boards/boards.htm

Council member review form 2010-11

Name of Council member:	
Date of review:	

Competencies for Council members

	1 Poor	2 Fair	3 Average	4 Good	5 Very Good	Comments
Preparation for, and attendance at meetings						
Willingness to devote time and effort to the organisation						
Attendance and contribution at external meetings on behalf of HPC*						
Effective participation at meetings						
Understanding of the detail of a wide range of business						
Contribution to decision-making by exercising sound judgement						
Contribution to strategy and risk management						

*includes listening events, meetings with stakeholders and other public appearances

	1 Poor	2 Fair	3 Average	4 Good	5 Very Good	Comments
Success in bringing own expertise to bear upon issues						
Ability to build constructive relationships						
Ability to debate cogently and is not resistant to change						
Knowledge of key legislation governing the HPC						
Performance against standards of education and training*						
Commitment to the seven principles of public life						
Ability to hold to account and to challenge constructively						

*Standards for Council and non-Council committee members as agreed by Council on 7 December 2004 available on the Extranet in the "Your role as a member" section of the Council information pages

Competencies for the Council Chair

	1 Poor	2 Fair	3 Average	4 Good	5 Very Good	Comments
Ability to convey a clear vision of HPC and communicate that vision to a wide range of audiences						
Ability to work closely with the Chief Executive and the Senior Management Team building positive working relationships in constructive and consultative environment						
Effectiveness in setting a clear strategic direction for the HPC						
Effectiveness in chairing Council meetings						
Effectiveness in developing Council and individual Council member's capacity and capability						

**Secretariat,
August 2010**

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Competencies for Committee Chairs*

Chair of the [………..] Committee

	1 Poor	2 Fair	3 Average	4 Good	5 Very Good	Comments
Manage the efficient and effective running of meetings by grasping the detail of a wide range of business						
Contribute to objective decision making by exercising sound judgement						
Facilitate open discussion, and good decision-making						
Ensure that the meeting is conducted in accordance with the standing orders, and that all members keep to the code of conduct						
Act as spokesperson for the committee						

*Taken from roles of Committee Chairmen agreed by committees in November 2005

Attendance

Council attendance	11/02		25/03		20/05		07/06		17/09		13/10		09/12	
[Committee 1] attendance	10/02		04/03		29/04		17/06		29/07		06/09		22/11	
[Committee 2] attendance	10/03		08/06		16/09		18/11							
[Committee 3] attendance	18/02		23/06		04/11									

Learning and development

Please record your conclusions from core training sessions for this year for Council and your Committees:

Title of training	1 Poor	2 Fair	3 Average	4 Good	5 Very Good	Comments
Council away day						
ETC legal context training						
Communications Strategy day						

Please record how you used your training entitlement this year, indicating how useful you found each session below.

Title of training	1 Poor	2 Fair	3 Average	4 Good	5 Very Good	Comments

Training for the coming year

Please tell us about training you would like to be provided with in the forthcoming year. If you have identified a specific training need, detail why you feel it would be of interest and of relevance to your role as a Council/Committee member: For further information on your entitlement please see the training and development section of the members extranet

Feedback from Committee Chairs

[Name of Committee 1]

[Name of Committee 2]

[Name of Committee 3]

Summary of discussions

Signatures   Council member   ………..…………………..   Date:……………………………
                                       (I have seen this form and have discussed it with the President)

               President   ………..………………   Date:……………………………
                              (I have seen this form and have discussed it with the above Council member)

Appendix

The Seven Principles of Public Life

Selflessness
Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity
Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Objectivity
In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability
Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness
Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty
Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership
Holders of public office should promote and support these principles by leadership and example.