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This paper will be published

Review of Performance Reporting

Purpose

- 1 This paper provides the Board with an opportunity to consider the performance reporting pack.

Recommendation

- 2 The Board is asked to:
 - a) consider and confirm the content of the performance reporting pack.

If you have any questions about this paper please contact: Liz Rosser, Executive Director of Resources, liz.rosser@sra.org.uk.

Equality, Diversity and Inclusion considerations

Consideration	Paragraph nos
<p>The balanced scorecard and commentary includes topical aspects of EDI within the agreed indicators, including for example, the SRA's latest gender pay gap data and the results of the Firm Diversity Data collection exercise.</p> <p>Reporting on our work programme and our Strategic Risk Register also cover key areas of our EDI work.</p>	21, 22

Review of Performance Reporting

Introduction

Development of our balanced scorecard and performance reporting to the Board

- 3 The Board will recall that it agreed in a workshop discussion in October 2019 and in its formal meeting in December to the development of a performance reporting pack including a balanced scorecard. The scorecard was first published as part of the papers of that meeting and then Board considered a first iteration of the full pack on 3 March 2020 when the details of the scorecard and work programme reporting were approved and published. The Board considered a second iteration of the pack at its meeting on 22 June 2020 and the scorecard and work programme report were published.
- 4 The primary purposes of our performance reporting are to provide the Board with a clear understanding of performance management within the organisation and to enable it to hold the Executive to account.
- 5 The performance reporting pack is made up of:
 - Financial Performance Update (annex 1)
 - Work Programme Update (annex 2)
 - Balanced Scorecard (annex 3)
 - Strategic Risk Register (annex 4)
- 6 Our aim is to report on an exception basis at both Board level and externally, with exceptions, such as over or under performance against key measures, highlighted in the Chief Executive or performance reports.
- 7 The Board agreed to develop two levels of balanced scorecard reporting:
 - Board level reporting – a scorecard providing the Board with key information so that it can monitor corporate performance. This is published as part of the Board's wider transparency objectives.
 - Management level reporting – this will be a more detailed set of measures, much of which are already in place within the organisation, for use by the Executive.
- 8 The Board also scrutinises a work programme update reporting against the key activities in our business plan. The report uses a traffic light system and provides further narrative where required. This too is published as part of the Board's wider transparency objectives.
- 9 In its consideration of the second quarter performance reporting pack on 22 June the Board agreed that we should continue to develop financial reporting to include reporting on the Compensation Fund finances and also asked to include short descriptors of business plan objectives in workplan update. These amendments

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will be included in the third quarter performance report which the Board will receive in September.

- 10 Following discussion at the 3 March 2020 Board meeting, the performance reporting pack is covered by an overarching narrative report which pulls together key themes from all of the performance information and draws the Board's attention to the main issues it should be aware of to hold the Executive to account.
- 11 Below is a commentary describing the information provided in each section of the performance reporting pack:
- Finance (update and balanced scorecard quadrant) Performance Update
 - Work Programme Update
 - Balanced Scorecard internal quadrant
 - Balanced Scorecard delivery quadrant
 - Balanced Scorecard external quadrant
 - Strategic Risk Register

Finance

- 12 The most obvious measures of financial performance are monitoring income and expenditure against approved budgets and considering the explanation for any variances alongside other measures of activity in the organisation. The measures selected for the scorecard demonstrate management of an agreed budget in terms of income and expenditure as well as providing the reader with an understanding of where our funding comes from and the drivers behind our expenditure. They show our reliance on practising certificate income as our main revenue stream and that people costs are by far the largest cost driver for us.
- 13 For management monitoring of performance we use the same measures, variance to income and expenditure budgets, but at a more granular level for Senior Management Team (SMT) than for the Board and more granular still for individual budget holders, therefore ensuring each audience is presented with the same picture but from a slightly different perspective.
- 14 The measures chosen for the Board, as featured in the scorecard, are at income, staff and non-staff levels. This effectively splits income broadly in half. The confidential section of the Board report provides a more detailed split of income and expenditure along with increased narrative on the variances. This was chosen for the Board as it provides them with evidence that we are managing within our agreed budget while at the same time providing detail on potential risks or challenges that would not be appropriate for an external audience as they may contain more sensitive information.
- 15 Other measures that were considered and discounted include standard financial ratios such as liquidity ratios, bottom line ratios, and debtor/creditor days. These were not considered appropriate for the type of organisation. As we become a distinct legal entity we will develop further reporting around cashflow and

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performance on investments, although this is likely to be covered within the confidential finance report rather than the public scorecard.

Work Programme Update

- 16 The quarterly report to the Board on progress against the work programme considers each activity planned for the year. The Business Plan includes a number of activities under each broader objective; collectively those activities should ensure that the objective is met, and that the overall strategy is delivered.
- 17 Each Executive Director assesses the activities they are responsible for and rates the progress as either Red, Amber or Green against agreed definitions. These activities will often be underpinned by multiple smaller activities across various teams. The ratings are then considered by SMT and challenged as to their appropriateness. Where activities are not rated as green further detail is provided to Board on the rationale for the rating and corrective action being taken to remedy the situation. Additional information is provided on specific achievements, impacts and outcomes in the period to give the Board further insight into the delivery of the Corporate Strategy. Collectively this provides the Board with information on our progress against our overall objectives and consequently the Corporate Strategy.

Balanced scorecard internal quadrant

- 18 Typical measurements used to determine the effectiveness of HR initiatives usually include such areas as absence, turnover and training. In a very buoyant labour market nationally and what has been to date a tight labour market due to our competition more locally, retention is key.
- 19 To boost that retention a focus on metrics such as absence, turnover and training are good indicators for HR to focus on and for Board to scrutinise
- 20 For management monitoring of performance we use a series of measures including the absence and turnover, but at a more granular level for SMT and Line Managers than for the Board, therefore ensuring each audience is presented with the same picture but from a perspective that is relevant to their functions. Other supporting measures we include for management are headcount, full time equivalent (FTE) headcount versus budgeted FTE and vacancies versus quality of hire.
- 21 The measures chosen for the Board, as featured in the scorecard, are time lost to sickness, voluntary staff turnover, total number of training hours and median gender pay gap (an annual item). These were chosen for the Board as they demonstrate whether internal practices are having a positive effect on staff such as engagement, wellbeing and retention. In addition, providing an external benchmark of similar type organisations from reliable external sources. The visibility of training hours demonstrates the value we place on our talent and staff development.
- 22 Topical issues covered, in addition to the core measures, have included the gender pay gap which highlights the progress that we are making to ensure gender

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balance and equality of opportunity throughout the organisation. In June we also reported on our staff views on our communication on the Covid-19 pandemic, carried out to gather feedback on whether we met their needs for information on our homeworking arrangements and how well health and wellbeing needs and sense of community were supported. This provides the Board with a valuable insight into the corporate response to a potentially significant business continuity pressure.

- 23 The other management measures were considered and discounted as they were considered appropriate at a more granular level for each function rather than the public scorecard.

Balanced scorecard delivery quadrant

- 24 The five measures in the delivery quadrant of the Balanced Scorecard aim to provide an overview of operational performance across the organisation. Below this scorecard is a management reporting suite which is monitored by the Executive on a regular basis with any significant exceptions escalated to the board via the Performance Reporting pack.

- 25 The specific measures / KPIs included in the Balanced Scorecard are:

Investigation and Supervision – to conclude 95% of all cases within 12 months

- 26 This provides a good indication of the health of our operational performance within our disciplinary work. This is a key high profile area where the timeliness of our processes impact on both the profession and the public. Other measures (which are monitored at the management level) include: the time taken to initially assess new enquiries, our progression of Forensic Investigations, time to effect interventions and our timeliness in issuing cases before the SDT once the investigation has been completed. We decided not to include these measures in the board level scorecard as they are a sub-set of the overall target and will be reported through the performance pack if performance issues develop.

Firm Based Authorisation – to conclude 90% of high/medium applications within 3 months

- 27 This measure focuses on the highest risk applications within Firm Based Authorisation. Appropriate authorisation of firms is an important component of consumer protection and access to justice in a dynamic legal sector so this is an area that the Board monitors. Lower risk applications are monitored at a management level as is the overall average time taken to process applications.

Individual Based Authorisation - to conclude 90% of high/medium applications within 3 months

- 28 Again, this focuses on our highest risk individual applications, and is core to effective consumer protection, so is a key part of the Board's monitoring requirements. Our peak period for individual applications is in October each year when we run the Practising Certificate Renewal Exercise (PCRE). We considered how to report on this through the scorecard and decided a targeted update in the

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overarching quarterly performance report is a better way to deliver this than tracking numbers over the quarters.

Compensation fund – 90% of compensation fund claims completed within 12 months

- 29 Again, this is a high-level measure of an important part of our consumer protection work. It indicates the health of our Claims Management work within the Client Protection team. Other measures such as the forecasted total recovery level and total liabilities of claims are monitored at a management level and escalated to ARC and Board as part of the compensation fee setting exercise annually.

Complaint handling – Stage one and two complaint handling

- 30 We have targets for responding to complaints regarding our service at both stage one and two of our complaint handling procedures (stage one within 10 days and stage two within 20 days). Effective management of concerns about our work is important both for those who complain but also so that we can learn from what we hear. Board also reviews our performance in this area through the annual report of our Independent Reviewer, which samples our complaints as well as providing a third tier review mechanism

Balanced scorecard external quadrant

- 31 The four core measures in the external quadrant of the Balanced Scorecard provide the Board with an overview of key components of our communication and stakeholder engagement work. Below this scorecard is a management reporting suite which is monitored by the executive on a regular basis with any significant exceptions escalated to the board via the Performance Reporting pack.
- 32 The specific measures / KPIs included in the Balanced Scorecard are:

Sentiment of media coverage

- 33 This is an industry standard measure which analyses the editorial tone of the media coverage of our work. It considers whether a reader of a given article would feel more positive or negative about the SRA having read it (with factual reporting in which we are mentioned classified as neutral). It is key measure of opinion of our work and often reflects areas such commentary on proposed or actual policy changes and discussion of cases taken to the Solicitors Disciplinary Tribunal. Regular review gives Board insight into the overall tone of wider opinion and allows them to question the reasons for changes, whether positive or negative. Alternative measures considered included focus group sentiment but these events are not frequent enough to provide meaningful feedback.

Website traffic

- 34 This tracks the overall number of visits that have been made to the SRA website during a given quarter, compared to the same quarter in the preceding year. This is an indicator of the extent to which the profession, members of the public and others, use our website as a source of information, helping Board to understand how relevant we are and whether the quality of our website is varying over time.

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We considered providing traffic levels to specific parts of the website however this introduces a range of variables which make it more difficult to see the overall performance of this key part of our work.

Social media engagements

- 35 Social media plays an increasing role in how we communicate. This measure shows the number of times people have clicked on, liked or shared content posted on any SRA social media channel, allowing Board to monitor our reach and engagement and interrogate any changes in trends and performance. We discarded the option to include impressions as that is a measure of outputs rather than impact.

Customer Feedback on our Contact Centre call and emails

- 36 This measure gives Board clear sight on the quarter by quarter customer feedback on our call and email services and performance against target. This is an important measure that reflects our corporate commitment to good customer service, indicates the quality of our work and links through to our Institute of Customer Service accreditation. We explored the option of presenting this information against the same quarters in preceding years but this resulted in a overly busy chart.

Topical issue

- 37 Topical issues we have covered include recent reporting on traffic to specific areas of our website, so that Board could see which components of our dedicated Covid-19 resources are most used. We have also reported on the results of our Firm Diversity Data collection exercise, supporting Board to assess the effectiveness of the exercise and trends in the profession. Past reports have included attendee feedback on our events, showing the extent to which we are meeting the face to face needs of our stakeholders and we may report further on this as we develop our events programme in the light of the pandemic. Future topical content may include the outcome of, for example, work to gather stakeholder perceptions.

Strategic Risk Register

- 38 Risk in the organisation is managed in accordance with the SRA Risk Management Framework (RMF). This sets out responsibility for managing strategic and operational risks together with the reporting arrangements for the Executive, Finance and Audit Committee and the SRA Board. The SRR forms part of how we manage risk and is reviewed regularly and reported to Board quarterly.
- 39 Having effective risk management and monitoring procedures in place, ensures that we can understand, mitigate and manage potential risks that could harm our ability to deliver our defined corporate strategy and business plan and we can be confident that we are meeting our regulatory objectives in the best way for the organisation, while meeting the better regulation principles.
- 40 The Board's responsibility for the management of risk within the SRA including setting the organisation's risk appetite, is set out in the SRA Risk Management Framework (RMF). There are three levels of risk, operational, mid-tier, and

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strategic, which facilitates the movement between levels as risk changes. Monthly risk performance reports are prepared for the executive with quarterly reports on strategic level risks produced for the Audit and Risk Committee and Board.

Recommendation: the Board is asked to consider and confirm the content of the performance reporting pack.

Next steps

- 41 We will continue to report to the Board in full on our performance every quarter including any changes agreed. We will continue to keep our performance reporting under review.

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Date 6 July 2020

Annexes

Annex 1: Financial performance update
Annex 2: Work programme update
Annex 3: Balanced Scorecard
Annex 4: Strategic Risk Register

NB: Annex 1 of this paper will not be published because it contains information which is commercially sensitive and annex 4 will not be published as it includes sensitive information