

## Date

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## Title

Overview of the OEP HR Strategy

## Report by

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## Issue

1. The aim of the HR strategy and policies is to establish a strategic HR framework to support and enable the effective functioning of the OEP. We want to ensure that our internal capabilities, i.e. people and their skills, can deliver the statutory mandate and strategic objectives of the OEP from the start. To achieve this, certain initial decisions were made by Defra in advance of the appointment of the OEP Board in order to progress the establishment of the OEP.
2. It has been assumed that as a new organisation the OEP's priorities would be to attract the best people and embed a positive, supportive workplace culture so that staff can give of their best. These priorities are illustrated by our five strategic themes covering culture, inclusion, learning and development, reward and recruitment (Annex A). We now seek Board endorsement.

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3. The OEP organisational design is porous and flexible. The OEP culture should align with its design and enable its guiding principles. In order to meet strategic objectives the OEP will need a flexible resourcing strategy where employees are able to be assigned to work where their skills can be used to best effect. The HR strategy and policies have been designed to enable these ways of working.

# Recommendation

## Decisions Required

4. We recommend that the Board agrees:
  - a. the proposed OEP approach to the development of the HR policies and underpinning principles
  - b. to delegate the approval of individual policies to the Interim CEO, and
  - c. that as part of our employee voice and engagement strategy, we will enter into a partnership agreement with at least one Trade Union and that the OEP will approach both PCS and Prospect for formal recognition, with formal consultation in the Autumn.
5. We ask the board to note that the HR strategy and accompanying policies have been designed with the following key principles and to agree that these remain appropriate as the detail of our policies are finalised. The OEP will:
  - a. be legally and ethically compliant
  - b. deliver its strategic objectives as a flexible and porous organisation
  - c. create a positive employee experience, where employees feel supported, included and empowered to deliver their work
  - d. enable a learning organisation culture where development is celebrated
  - e. have policies that are simple to administer whilst being scalable and resilient to the changing nature of the OEP as an organisation
  - f. be attractive to prospective applicants
  - g. be consistent with, or better than, existing civil service or public body HR policies, adopting Defra group policies as appropriate unless improved to align to the above principles.

## Background

6. In 2019, PA Consulting created an HR set up strategy to determine the establishment of the OEP HR function. They identified over 50 HR documents that needed to be drafted in order to make sure they OEP was legally compliant as an employer. In consultation with Defra HR Expert Services and Civil Service Employment Policy (CSEP) the HR team developed the policies in three batches and sought ratification from Defra's Programme Board chaired by Edward Barker, Director of NETL.
7. The Environment Bill establishes the OEP as an NDPB, which means it will employ public servants, not civil servants.

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On the other hand, it was important to ensure that the policies fitted the vision for the OEP. The HR workstream consulted the Interim CEO, the Senior Leadership Team (SLT) and interim OEP colleagues to improve the policies wherever possible.

8. In line with decisions made on the OEP organisation design, the OEP will be supported by a G7 Principal HR Officer who will provide expert HR advice to SLT and managers. Due to the size of the OEP, managers will need to be largely self-sufficient in dealing with management issues, for example performance and attendance. Therefore, the HR policies and accompanying guides have been written to provide comprehensive support to managers in making judgements about solutions to their people problems without a great reliance on formal HR support.
9. The OEP HR strategy and policies have been designed to support the OEP as a learning organisation, and to enable flexible and collaborative working. The curriculum and induction is being developed to support foundation learning on each of the OEP's key functions, in addition to role-specific learning, to enable knowledge sharing across the organisation. This aims to ensure employees have a strong understanding of the OEP functions and enable them to be deployed to other teams to support on specific projects as required.

## Analysis

10. The proposed OEP HR policies are based primarily on Defra HR policies and are informed by HR best practice. For the majority of the policies we have followed advice to mirror Defra policies as much as possible. Where appropriate, we have also adapted policies so that they fit better with a smaller organisation, or where we have identified best practice that would be better for the OEP.
11. We would like the Board to note the policies which are notably different to Defra's and delegate approval of these to the Interim CEO. The policies concerned are: performance management, probation, attendance management, and annual leave. We would also like the Board to note the pay policy and Board involvement in the remuneration policy. Further information is set out in paragraphs 14-28.
12. The Learning and Development (L&D) strategy, policy and approach have been developed to support the aim of the OEP being a learning organisation - in which learning is embedded into systems, values and resources and learning is promoted at individual, team and organisational level.

### HR policies

13. The principles in paragraph 6 were used to develop the OEP HR policies to ensure that they meet the needs of the OEP as a new organisation. We have followed Defra policy where we considered that to be appropriate but have taken a different approach where that would be in the best interest of the OEP or where Defra policy has fallen out of line with HR best practice.
14. The proposed OEP policies which are notably different to Defra's are performance management, probation, attendance management, and annual leave. Where changes have been made to these policies, they have been underpinned by the HR design principles. This ensures they are a better cultural fit for the OEP and encourage better line management practice or behaviour.

15. Out of the 28 main HR policies, 20 align to Defra with little or no variation, six are largely the same as Defra's but adapted to reflect more recent best practice, and two have been re-designed to reflect the OEP HR design principles. The breakdown of which policies align to Defra or not is detailed below.

Policies which adopt Defra's position with little or no variation	Policies which were adapted from Defra's policies to take into account updated best practice	Policies which have been redesigned to allow the OEP to follow its HR Design Principles
<ul style="list-style-type: none"> <li>• Parental Leave (including maternity, paternity, shared parental, adoption)</li> <li>• Special Leave</li> <li>• Disability Leave</li> <li>• Sick Pay</li> <li>• Poor Performance</li> <li>• Grievance</li> <li>• Pay and Reward</li> <li>• Dismissal</li> <li>• Redundancy</li> <li>• Retirement</li> <li>• Resignation</li> <li>• Respect at Work (bullying and harassment)</li> <li>• Drug and Alcohol Policy</li> <li>• Equality Diversity and Inclusion</li> <li>• Recruitment Policy</li> <li>• Annual Leave</li> </ul>	<ul style="list-style-type: none"> <li>• Career Breaks</li> <li>• Talent Management</li> <li>• Flexible and Remote Working (updated with Covid guidance)</li> <li>• Disciplinary process</li> <li>• Probation</li> <li>• Learning and Development</li> <li>• Reasonable Adjustments (in progress)</li> </ul>	<ul style="list-style-type: none"> <li>• Performance Management</li> <li>• Attendance Management</li> </ul>

**Key policies which do not align to Defra**

**Performance Management**

16. We propose to introduce a rating-less performance management system for the OEP. This will enable the OEP to be a learning organisation where employees will feel more supported

and empowered at work and create a culture where development is celebrated. Employees must have regular, structured, performance conversations throughout the year and managers must capture an individual's development needs through a series of fixed questions instead of ratings. This removes the stigma of the phrase 'development needed' which is negatively associated with the Civil Service bottom rating.

17. Managers must be responsible for managing underperformance and follow the poor performance policy. Individuals who are not performing to expected standards will be put on a performance improvement period for a minimum of three months. Managers will be responsible for agreeing interventions to achieve sustained improved performance through a performance improvement plan. If there is no improvement, the usual ACAS poor performance procedure will apply.
18. Our proposed recognition approach aligns with the performance management system and removes year-end bonuses for exceptional ratings, replacing them with in-year bonuses for exceptional performance on specific tasks, strengths and behaviours. Evidence suggests that this approach can be more inclusive and aims to combat concerns around equality and fair treatment of those with protected characteristics across the Civil Service, who are proportionally less likely to receive an end-year bonus due to their performance rating.
19. The new approach to performance management remains comparable across the Civil Service even if it is not aligned to Defra's policy. These changes are in line with wider changes to performance management policy across Government, and have already been adopted by HMRC, MHCLG, DWP, DHSC and MoJ.

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### **Attendance Management**

20. We have made changes to the attendance management policy in order to improve the employee experience for managers and staff alike. We have modernised the policy by putting the focus of the main attendance policy on supporting attendance and encouraging informal intervention by managers to support attendance. For example, encouraging quality conversations between a line manager and employee to agree support/workplace adjustments to support the employee to attend work.
21. We have simplified the consideration points to make them easier to follow, whilst remaining legally compliant by following ACAS advice. The Principal HR Officer will discuss concerning patterns with managers or directors informally as required. Managers, in consultation with HR and the employee casework team, will then agree whether it is appropriate to begin formal poor attendance procedures. This procedure is in a separate policy to the main supporting attendance policy. Once triggered, it follows the standard ACAS three-stage process.

### **Probation**

22. The changes to the OEP probation period are an example of where we have updated the policy to align to more recent best practice. The probation period will be 6 months, which is shorter than Defra's 8 months. This aligns with the latest guidance from the Central Civil Service HR Policy team in CO on probation period length, and gives the OEP more flexibility when recruiting new resources. To support the OEP as a flexible and porous organisation,

managers will be able to extend a probationary period up to 12 months if required to make sure new starters get the support they need to perform to the expected standard.

## **Risks to Policy Development**

### **Pay**

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### **Annual leave**

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23. The holiday entitlement is the same as Defra's - which is to start on 25 days and increase every year until 5 years (30 Days).

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24. Whilst we recognise the importance of the right remuneration package for staff, this is only one part of the employee offer. To mitigate these risks, we have a Total Reward strategy which includes L&D, wellbeing, employee benefits and recognition. The Civil Service Pension is far more generous than other public sector pension schemes which will be attractive to candidates, and we will have an excellent L&D offer so employees can continue to develop in their role.

## **Learning and Development**

25. The Learning and Development (L&D) strategy (Annex B), policy and approach have been developed to support the design principle of the OEP being a learning organisation - in which learning is embedded into systems, values and resources and learning is promoted at individual, team and organisational level.
26. The L&D strategy and policy align to the principles of Defra's, but have been adapted to increase the focus on the OEP as a learning organisation. The approach to learning has been shaped through consultation workshops undertaken with the Senior Leadership Team and colleagues in the Interim OEP.
27. Key aims adopted.
- a. To build capability in the organisation to enable it to meet corporate aims, strategic and operational objectives.
  - b. To build capability in employees to enable them to meet role and career objectives.
  - c. To attract, develop, engage and retain all employees.
  - d. To develop and increase confidence in managers.
  - e. To ensure that all employees have the basic 'Foundation learning' to enable them to easily flex to a different role in the OEP as may be required.

f. To support informal learning and knowledge sharing.

28. Intended aim of L&D in the OEP.

- a. L&D will be inclusive – recognising that all employees have talent and offering options that meet different learning styles, needs and situations.
- b. L&D opportunities will be accessible fairly and equitably, and seen to be so.
- c. L&D will be related to organisational, team, professional or personal objectives or requirements and monitored and improved through various evaluation approaches – achieving value for money.

29. Planned approach to L&D.

- a. The OEP will adopt the 70:20:10 model of L&D in line with the Civil Service – ensuring understanding of formal and informal learning. The 70:20:10 model explains that 70% of L&D comes from on-the job learning, 20% by learning through others, and 10% through formal learning. We will also encourage the aim of 5 formal learning days per year per employee, and employees will have access to Civil Service Talent programmes (funded by OEP).
- b. The 70:20:10 model is not a fixed rule and as the OEP forms, the weighting on each learning method may change to accommodate different learning needs, in the context of a brand new organisation.
- c. All new starters will receive a structured induction covering role / team induction, OEP Foundation Learning and OEP Manager Foundation Learning (as required).
- d. L&D will build upon, and be a major part of the Performance management process – ensuring that everyone, supported by their line manager, pro-actively reflects on their performance, identifies learning needs, transfers learning to work and considers their future development.
- e. The OEP will sign up to the Civil Service Learning (CSL) offer and follow Cabinet Office Spending Controls for learning.

### **Diversity and Inclusion**

30. As a new public body, the OEP is committed to getting the basics right on equality, but we are much more ambitious than this, and our strategic goal is to be widely recognised as an inclusive and diverse employer. We recognise the importance of a successful diversity strategy (Annex C) and ensuring that the OEP can benefit from diversity in thought, experience, creativity and better decision making.

31. We will achieve this by:

- a. holding leaders to account – through objective settings and regular reviews of data
- b. building an inclusive culture for all – through analysing diversity data and improving transparency

- c. bringing in and sustaining a representative workforce – through recruitment processes that attract and onboard a diverse range of applications that reflect the diversity of the UK working age population.
32. As an NDPB the OEP must have due regard for the Public Sector Equality Duty (PSED) which applies to all public authorities. The duty aims to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not.
33. The OEP EDI strategy suggests a number of initiatives which brings diversity and inclusion into the forefront of management practices and seeks to help the OEP set itself up as a supportive and inclusive employer.
34. Some of the proposals for the OEP include the following approaches.
  - a. New HR policies or procedures will need to have an Equality Impact Assessment (EqIA) completed to assess the impact on protected groups. SLT and Board papers also include a section requiring the author to explain equality considerations to any decisions or recommendations.
  - b. Senior employees will take personal responsibility for EDI within the organisation and will internally publish personal EDI objectives as part of their appraisal. The OEP SLT will discuss EDI as a standing agenda item at regular intervals (quarterly) using workforce data to inform decision making and feedback to the board via the interim CEO.

#### **Trade Union Recognition**

35. As part of our employee voice and engagement strategy, we recommend that the OEP will enter into a partnership agreement with at least one Trade Union. Trade Union Recognition will be beneficial to the OEP in creating employee voice, allowing collective bargaining on key people decisions and provide insight on best practice in other public bodies.

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#### **Diversity in Recruitment**

36. Recruitment practices will aim to secure that the OEP is representative of the local population it operates within. The OEP will form partnerships with:
  - a. the community, local universities and schools to attract diverse new talent and build pipelines in and around Worcester;
  - b. external EDI networks such as The Black Economists Network, Women in Science and the IEMA CEO EDI group focusing on the environment sector;
  - c. Civil Service networks such as the Cross-Government Social Mobility Network, Civil Service Race Forum; and
  - d. OEP Stakeholders to advertise roles and reach diverse applicants.
37. The OEP will apply to become an accredited member of the Disability Confident Scheme. This will assist the OEP to draw from the widest possible pool of talent, show commitment to



equality and add to the OEP’s positive employer brand. The scheme sets out three levels which enable employers to continuously improve on their commitment to recruiting disabled people.

## Finance and Resource

38. The design of the HR Function has been developed with the proposed organisational design in mind. Recognising that the provision of 1 FTE HR Officer supported by a shared corporate services HEO brings risks to the resilience and delivery of the OEP HR offer, the OEP HR policies have been designed so that managers can be largely self-sufficient in dealing with management issues, for example performance and attendance, without relying on support from HR.
39. The Principal HR Officer will have access to expertise and services from third parties when required, whilst being able to run the HR operations and decision making largely in house as much as possible. The Principal HR Officer will also be able to take advantage of the flexible resourcing approach in the OEP, whether that is to bring in a short term secondee or contractor to deploy HR expertise as required.
40. The OEP has agreed a Partnership Agreement with Defra HR for at least the first year of operation to give the OEP access to HR services from Defra for complex issues (such as pay and pensions).

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41. The OEP is also preparing to procure a number of other low-cost services to cover other HR support such as the MoJ HR Casework Service, Health and Safety and Wellbeing contracts, and an HR and Payroll system. An Employee Benefits Scheme and Voucher Recognition Scheme (in addition the in-year reward scheme) will also be implemented to make sure that our employees are recognised and rewarded sufficiently. These contracts have been budgeted for and are funded through the Contingency Fund Applications.

## Impact Assessments

### Risk Assessment

Challenge	Mitigation
Being able to attract the right talent to join an organisation on Defra pay scales, without an established employment brand, based in Worcester.	<ul style="list-style-type: none"> <li>• We are working to give the OEP a competitive Employee Offer and Benefits package including my Civil Service Pension and a generous L&amp;D offer which will attract candidates.</li> <li>• We are engaging with Defra Reward to offer flexibility in the pay policy where possible.</li> <li>• Current recruitment shows that we are able to fill roles in Worcester despite these risks.</li> </ul>
Maintaining employee commitment to an organisation in the early stage of its lifecycle in order to retain talent, especially in the context of remote working during the coronavirus pandemic.	<ul style="list-style-type: none"> <li>• Working to embed new cultures and values through staff consultation in order to co-create a vision that employees feel personally committed to.</li> </ul>

	<ul style="list-style-type: none"> <li>• Maintaining regular and positive communications with employees.</li> <li>• Establishing a supportive culture and having an attractive talent/development strategy so people feel invested in.</li> <li>• Develop engaging, informative and fun all-staff Welcome Days and Manager Welcome Days.</li> <li>• Develop and share detailed guidance for Line Managers on planning and facilitating role / team induction.</li> </ul>
Building a strong, diverse and inclusive team culture, especially in the context of the Environment Sector which is traditionally not that diverse.	<ul style="list-style-type: none"> <li>• Develop an attraction strategy that appeals to all demographics.</li> <li>• Advertise roles widely in EDI networks and external stakeholders to attract more diverse candidates.</li> <li>• Encourage outreach and networking in local schools, universities and organisations to build local pipelines.</li> <li>• Encourage employees to use their voice, creating a safe space for challenge through staff networks, the unions or other staff forums.</li> </ul>
There is a risk that there will be disparity between the T&Cs for two cohorts of staff (interim OEP vs OEP staff) due to the Staff Transfer Scheme and that this may cause tensions between teams.	<ul style="list-style-type: none"> <li>• The OEP T&amp;Cs align to Defra's as much as possible to ensure parity. Where terms must be different e.g.annual leave and protected continuity of service, we will work to mitigate this over time as employees leave the organisation.</li> <li>• To keep the OEP up to date with Defra Group policies, the OEP will be invited to ALB HR calls and information sharing sessions which Defra already holds with its existing ALBs. The paid-for SLA with Defra HR will also ensure the OEP is kept up to date when policy positions change, and help the OEP make any changes which are being implemented across the Group.</li> </ul>

## Equality Analysis

42. To ensure the OEP has due regard for the Public Sector Equality Duty (PSED), new HR policies and procedures will need to have an Equality Impact Assessment (EqIA) completed to assess the impact on protected groups and include mitigating actions if required which will be approved by SLT. This is to show that the OEP has considered the impact of decisions on protected groups (if any) so that they can make an informed decision. SLT and Board papers also include a section requiring the author to explain equality considerations to any decisions or recommendations.

43. The OEP HR policies have been designed to be compliant with employment law and best practice in HR. They have been adapted from Defra policies to make sure that employee experience and wellbeing is the focal point of policy, which makes the policies more inclusive and supportive than the original.
44. We have made certain policy decisions with the impact on inclusivity in mind. For example, the removal of ratings and end year bonuses in the performance management policy and the introduction of a two-step attendance management policy.
45. Equality is a fundamental design principle within recruitment practices. We have designed the recruitment process to make sure campaigns are fair and open in line with Civil Service Principles. As mentioned in the Equality section above (para 32-37) we have reached out to external networks, Civil Service networks, and our Stakeholders to advertise roles and reach diverse applicants.

## Implementation Timescale

46. The HR workstream will engage with the Trade Unions in August to begin the forming of the Partnership Agreement

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with a view to have an agreement in principle in place ahead of the consultation which will be required with staff to enable the transfer from Defra to the OEP.

47. The first OEP Welcome Days will be on 14 and 15 September, which is when we expect to have enough of a cohort of new starters.
48. The OEP HR Strategy and Policies will come into effect after Royal Assent and the OEP is legally established. Until then Interim OEP employees will follow Defra HR policies and processes.

## Communications

49. We do not expect the HR strategy or policies to be raised in any public committees or forums. However, the recruitment plans include lines on the OEP pay strategy should they be needed.
50. Employees are being kept up to date on any HR policy changes through consultation workshops and regular engagement on L&D through our L&D Taskforce. SLT are being regularly involved in policy making decisions for example Annual Leave policy and the performance management reporting approach.

## External Stakeholders

51. HR specialists in other Government Departments such as Cabinet Office have been included in the development of the HR strategy to make sure it is compliant with Government Policy, and also so that they can provide advice on best practice. The Government Legal Department have also provided employment law advice during the development of the OEP's policies.

52. We have also consulted with the Defra Trade Unions, PCS, and Prospect and kept them up to date on the OEP's Establishment plans.

## Internal Stakeholders

53. Defra HR have been involved in advising the HR Workstream on the HR policies and providing approval from a Parent Department perspective. This has been facilitated by our HR Business Partners

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54. The interim OEP employees have played a large part in shaping the OEP HR and L&D policies through a series of consultation sessions delivered over spring.

## ANNEXES LIST

*This section is redacted as its publication would be prejudicial to the effective conduct of public affairs or commercial interests.*