

Capability Policy & Procedure

Policy · UK · Updated 2026-07-11 · Square brackets are placeholders to replace with your own details.

A capability policy is the written procedure your organisation follows when an employee cannot do their job to the required standard — because of skill, aptitude, or health — as distinct from will not, which is a conduct matter. It sets out the informal support that comes first, the formal stages with warnings and improvement plans, and how a fair dismissal decision is reached if improvement never comes.

Underperformance handled without a procedure produces the worst of both worlds: months of drift while the manager avoids the conversation, followed by a rushed exit that no tribunal would call fair. A capability procedure forces the honest conversation early, gives the employee a genuine chance to improve, and creates the paper trail that makes the eventual decision — either way — defensible.

This template gives you a complete, ready-to-edit policy and procedure: definitions, an informal stage, two formal improvement stages, a capability hearing, ill-health cases, and appeals.

Purpose and scope

This policy sets out how [Your company] manages concerns about an employee's capability — their performance or their health-related ability to do the job. It applies to all employees [who have completed probation; probationers are managed under the probation policy]. It does not cover misconduct, which is handled under the disciplinary policy.

Capability or conduct?

Capability is about "cannot": the employee is trying but lacks the skill, knowledge, or health to meet the standard. Conduct is about "will not": lateness, carelessness, or refusal to follow reasonable instructions. The distinction decides which procedure applies, and managers should take advice from [name/role] before starting either. Where the cause is unclear, start with an informal capability conversation — it is easier to escalate later than to un-ring a disciplinary bell.

Responsibilities

- Line managers: set clear standards, give honest feedback early, and run the informal stage properly before anything formal starts.
- [Name/role, e.g. HR lead]: advises on which procedure applies, supports formal stages, and keeps the records.
- Hearing managers: are impartial, were not involved in earlier stages where practicable, and decide only on the evidence presented.
- Employees: engage with feedback, attend meetings, and raise anything relevant — including health issues or missing training — as early as possible.

Informal stage — early support

Most performance problems should be fixed here and never reach a formal stage. The manager meets the employee privately, describes the gap between expected and actual performance with specific examples, asks what is getting in the way, and agrees actions — training, coaching, clearer priorities, closer supervision — with a review date [number] weeks out. A short note of the conversation is kept, shared with the employee, and does not form part of any warning.

Formal stage 1 — first warning and improvement plan

1. Invite the employee in writing to a formal capability meeting, enclosing the evidence and giving [number] days' notice and the right to be accompanied.
2. At the meeting, set out the shortfall, hear the employee's explanation, and consider any factors they raise, including health or training gaps.
3. If a capability issue is confirmed, issue a first written capability warning and agree a performance improvement plan (PIP): specific objectives, the support provided, how success is measured, and a review period of [typically 4 to 12 weeks].
4. Confirm the outcome in writing, including the warning's duration ([number] months) and the right of appeal.
5. Review progress at agreed checkpoints during the PIP — no one should arrive at the review meeting surprised.

Formal stage 2 — final written warning

If the stage 1 review shows insufficient improvement, repeat the formal meeting process. The possible outcomes are: close the process (sustained improvement), extend the PIP (clear progress but not yet at standard), or issue a final written capability warning with a further improvement period. The final warning states plainly that failure to reach the required standard may result in dismissal. At this stage, also consider redeployment to a more suitable role if one exists.

Formal stage 3 — capability hearing

If performance still does not reach the standard, the employee is invited in writing to a capability hearing before [a senior manager not previously involved], with the evidence pack, [number] days' notice, and the right to be accompanied. Outcomes are: no action, an extended improvement period, redeployment to a suitable alternative role, or dismissal with notice on grounds of capability. The decision and the reasons are confirmed in writing with the right of appeal.

Ill-health capability

Where the underlying issue is health, the process runs on medical evidence, not stopwatch reviews: obtain occupational health or GP advice (with consent), consider reasonable adjustments under the Equality Act 2010, consult the employee about prognosis and options, and consider redeployment before any hearing. Dismissal on ill-health grounds is a last resort taken only when the medical evidence and consultation show no reasonable prospect of a return to the role or a suitable alternative within a reasonable time.

Appeals, records and review

An employee may appeal any formal warning or dismissal in writing to [name/role] within [number] days, stating the grounds. Appeals are heard by someone senior to, and independent of, the original decision-maker, and the outcome is final. All invitations, notes, PIPs, warnings, and outcomes are kept in [system/location] for [period]. This policy is reviewed [frequency] by [name/role]. Next review due: [date].

How to use this template

1. Fix the number of formal stages and warning durations before publishing — vagueness here is what appeals feed on.
2. Set realistic PIP lengths for your roles: a sales cycle, a service period, something in which improvement could genuinely show.
3. Train managers on the capability-versus-conduct distinction with examples from your own business.
4. Make sure you can staff the process: a stage 3 hearing needs a senior manager who has not touched the earlier stages.
5. Check the interaction with your probation policy so new starters are not accidentally routed through the full procedure.

Official guidance

- › [ACAS — Code of Practice on disciplinary and grievance procedures](#)
- › [ACAS — Disciplinary procedure step by step](#)

This template is provided in good faith and for general information — it is not legal advice. Adapt it to your organisation and, where your sector carries specific legal requirements, have the finished document reviewed by a qualified adviser. The live version at <https://trainedteam.com/templates/capability-policy> is kept current; this file is a snapshot.