

Remuneration and Appointment Committee Terms of Reference

KEY DETAILS:

Document Type:	Committee terms of reference
Date document valid from:	01 May 2018
Document review due date:	30 April 2019

AUDIT TRAIL:

Dates reviewed:	1 March 2018	Version number: 1	Dates archived:
Dates agreed:	26 April 2018	Version number:	
Details of most recent review: Changes made to ensure clarity and continued best practice			
Signature of Chair of Committee:			
Print Name:	Peter Hollins		
Post Held:	Trust Chair		
Date:	26 April 2018		

Remuneration and Appointment Committee

Terms of Reference

1. Authority

- 1.1 The Remuneration and Appointment Committee [the Committee] is constituted as a standing Committee of the Trust's board of directors [the Board]. Its constitution and terms of reference shall be as set out below, subject to amendments at future Board meetings.
- 1.2 The Committee is authorised by the Board to act within its terms of reference. All members of staff are directed to co-operate with any request made by the Committee.
- 1.3 The Committee is authorised by the Board to instruct professional advisors and request the attendance of individuals and authorities from outside the Trust with relevant experience and expertise if it considers this necessary or expedient to the exercise of its functions.
- 1.4 The Committee is authorised to obtain such internal information as is necessary and expedient to the fulfilment of its functions.

2. Main Purpose

- 2.1 To be responsible for identifying and appointing candidates to fulfil all the executive director positions on the Board and for determining their remuneration and other conditions of service.
- 2.2 When appointing the Chief Executive, the Committee shall be the Committee described in Schedule 7, 17(3) of the National Health Service Act 2006 [the Act]. When appointing the other executive directors the Committee shall be the Committee described in Schedule 7, 17(4) of the Act.

3. Duties

3.1 Remuneration Role

3.1.1 The Committee will:

- Establish and keep under review a remuneration policy in respect of executive board directors.
- Consult the Chief Executive about proposals relating to the remuneration of the other executive directors¹. No person shall remain present during discussions pertaining to their own individual performance and/or pay.
- In accordance with relevant laws, regulations and Trust policies, decide and keep under review (in line with the principles outlined in Appendix 1) the terms and conditions of office of the Trust's executive directors , including:
 - Salary, including any performance –related pay or bonus;
 - Provisions for other benefits, including pensions and cars;
 - Allowances;
 - Payable expenses; and
 - Compensation payments.
- In adhering to all relevant laws, regulations and Trust policies:
 - Establish levels of remuneration which are sufficient to attract, retain and motivate executive directors of the quality and with the skills and experience required to lead the Trust successfully, without paying more than is necessary for this purpose, and at a level which is affordable for the Trust;

¹ Monitor NHS Foundation Trust Code of Governance E.2, supporting principles

- Use national guidance and market benchmarking analysis in the annual determination of remuneration of executive directors (and senior managers on locally determined pay,) while ensuring that increases are not made where Trust or individual performance do not justify them;
- Be sensitive to pay and employment conditions elsewhere in the Trust.
- Monitor, and assess the output of the evaluation of the performance of individual executive directors, and consider this output when reviewing changes to remuneration levels.
- Consider issues of equality and diversity when evaluating and setting pay.

3.2 Appointment Role

3.2.1 The Committee will, in accordance with all relevant laws, regulations, Foundation Trust policies and Foundation Trust constitution:

- regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make use of the output of the Board evaluation process as appropriate, and make recommendations to the Trust Board and nominations committee of the Council of Governors, as applicable, with regard to any changes;
- review annually Board member declarations;
- when a vacancy is identified, evaluate the balance of skills, knowledge and experience of the Board, and its diversity, and in light of this evaluation, prepare a description of the role and capabilities required for the particular appointment. In identifying suitable candidates the committee shall use open advertising or the services of external advisers to facilitate the search; consider candidates from a wide range of backgrounds; and consider candidates on merit against objective criteria;
- give full consideration to and make plans for succession planning for the executive team and senior managers supporting these roles, taking into account the challenges and opportunities facing the Trust and the skills and expertise needed on the Board in the future;
- keep the leadership needs of the Trust under review at executive level to ensure the continued ability of the Trust to operate effectively in the health economy;
- be responsible for identifying and appointing candidates to fill posts within its remit and when they arise;
- ensure that a proposed executive director's other significant commitments (if applicable) are disclosed before appointment and that any changes to their commitments are reported to the Board as they arise;
- ensure that any proposed appointees disclose any business interests that may result in a conflict of interest prior to appointment and that any future business interests that could result in a conflict of interest are reported;
- consider any matters relating to the continuation in office of any board executive director including the suspension or termination of an individual as an employee of the Trust, subject to provisions of the law and their service contract;
- identify and nominate a candidate to fill the position of chief executive for approval by the Council of Governors;

- ensure that persons who are appointed to the role of director have the appropriate qualifications, are competent and skilled, have the relevant experience and ability and exhibit appropriate personal behaviour and business practices – in line with the standards outlined within the Fit and Proper Person Requirement (FPPR);
- advise and oversee contractual arrangements for executive directors, including but not limited to termination payments to avoid rewarding poor performance.

4. Administration

4.1 The Committee Chair will ensure that:

- The Administration is managed efficiently and effectively.
- The Committee undertakes the duties assigned to it.
- Reports and actions arising from the meetings are completed in a timely manner.
- The agenda is agreed together with a forward planning reporting timetable.

4.2 The Committee administrator will ensure that:

- The agenda is agreed with the Chair.
- Papers are collated and circulated in advance of the meeting (at least 3 working days).
- Mailing lists are kept up to date.
- Minutes and a record of action points are taken.
- Terms of Reference and records of committee business are retained appropriately.

5. Membership

5.1 The membership of the committee shall comprise of:

- Trust Chair
- All Non-Executive Directors

5.2 In Attendance:

- Chief Executive
- Director of HR
- Associate Director: Corporate Affairs

6. Quorum

6.1 The quorum for the meeting shall be four non-executive directors (including the Chair).

7. Frequency of Meetings

7.1 The Committee shall meet as required which will usually be at least four times a year. An annual business plan will be drawn up.

7.2 The Committee may establish a sub-committee for a specific purpose where it would be impractical for the whole committee to be involved, for example to appoint a new executive director following agreement by the committee of the role and person specifications.

8. Monitoring Compliance and Effectiveness

8.1 The minutes of all meetings of the Committee shall be formally recorded and shall be retained by the Associate Director: Corporate Affairs, on behalf of the Chair, and shall not be shared with the Executive Directors.

8.2 The Associate Director: Corporate Affairs, on behalf of the Chair, shall ensure that the work of the committee is accurately reported in the Annual Report and Accounts in accordance with any direction from the Independent Regulator.

- 8.3 The Chair on behalf of the Committee will report annually to the Trust Board in respect of fulfilment of its functions as set out in these Terms of Reference.
- 8.4 In order to support the continual improvement of governance standards, sub-committees of the Board are required, annually, to:
- Complete a self-assessment of the effectiveness of the Committee.
 - Review the Terms of Reference for the Committee, reaffirming the purpose and objectives.
 - Prepare an annual work plan.

1. The importance of Executive pay:

The delivery of the Forward Vision, and our annual Trust objectives is predicated on ensuring talent is available at all levels of the Trust. Good senior leadership is vital, and therefore a key strategy for UHS must be to recruit and retain the best Executive talent into the Trust. This will be from a combination of both good internal succession planning, bringing top talent from the NHS, and also seeking high calibre individuals from other sectors.

2. Determination of pay levels of posts:

Pay for Executive posts will be determined by;

- Use of NHS Improvement data on pay for Executive positions in comparable trusts (Figure 1).
- Use of other salary benchmarking exercises.
- Job evaluation as required.
- The conditions required to attract suitably qualified individuals, particularly where commercial, financial, or other niche business skills are required.

Pay levels will be reviewed not less frequently than annually by R&AC in accordance with the Trust's pay review cycle to ensure that salary levels are both appropriate and provide value for money.

3. Setting salary of Executives:

The following principles will apply:

- UHS will aim to pay at around the mid-point of NHS Improvement framework levels for trusts of a comparable nature and scale.
- UHS will review pay based on performance, changes in the NHSI framework levels and in particular the need to retain key individuals likely to be of interest to other trusts.
- UHS will not recognise relevant changes of NHSI framework levels in respect of individuals whose performance does not so justify.
- UHS will be mindful of equality, particularly in relation to gender and ethnicity in pay levels.
- UHS will ensure all cost of living increases nationally awarded are reflected in Executive pay each year, as decided by Rem Com, unless performance of an individual is unsatisfactory.
- Any decision to introduce performance related pay, or bonuses, will be subject to decision at R&AC based on a sound business case and adherence to NHSI guidance on executive pay.

4. Approval process:

All decisions on pay for Executive Directors will be managed in line with the terms of reference for the R&AC.

The R&AC, via the Director of HR, will also ensure that NHS Improvement prevailing guidance on setting of Executive pay, including any required approval process, will be followed as appropriate.

Figure 1 - NHS Improvement Pay Thresholds

Very large acute NHS trusts and foundation trusts (£500m+)	Lower quartile	Median	Upper quartile
Chief executives	£ 195,000	£ 225,000	£ 267,500
Deputy CEO	£ 143,500	£ 165,000	£ 200,000
Director of finance	£ 148,500	£ 157,500	£ 190,000
HR/Workforce directors	£ 120,000	£ 130,000	£ 145,000
Medical directors	£ 189,000	£ 215,000	£ 230,000
Nursing directors	£ 130,000	£ 142,500	£ 157,500
Chief operating officer	£ 141,000	£ 190,000	£ 198,000
Corporate affairs/Governance directors	£ 88,000	£ 105,000	£ 117,500
Strategy and planning directors	£ 112,000	£ 137,500	£ 162,000
Director of facilities/Estates	£ 120,000	£ 135,000	£ 145,000