

Remuneration and Appointment Committee Terms of Reference

Version: 4

Date Issued:	26 May 2022
Review Date:	November 2022
Document Type:	Committee Terms of Reference

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1. Role and Purpose

- 1.1 The Remuneration and Appointment Committee (the **Committee**) is responsible for identifying and appointing candidates to fill all the executive director positions on the board of directors (the **Board**) of University Hospital Southampton NHS Foundation Trust (**UHS** or the **Trust**) and for determining their remuneration and other conditions of service.
- 1.2 The Committee provides the board of directors of the Trust (the **Board**) with a means of independent and objective review of remuneration and executive director appointments in accordance with relevant laws, regulations and Trust policies.
- 1.3 The duties and responsibilities of the Committee are more fully described in paragraph 7 below.

2. Constitution

- 2.1 The Committee has been established by the Board. The Committee has no executive powers other than those set out in these terms of reference.
- 2.2 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any member of staff and all members of staff are directed to cooperate with any request made by the Committee.
- 2.3 The Committee is authorised to seek reports and assurance from executive directors and managers and will maintain effective relationships with the chairs of other Board committees to understand their processes of assurance and links with the work of the Committee.
- 2.4 The Committee is authorised to obtain external legal or other independent professional advice if it considers this necessary, taking into consideration any issues of confidentiality and the Trust's standing financial instructions.

3. Membership

- 3.1 The members of the Committee will be appointed by the Board and will be the non-executive directors of the Trust except as provided in paragraph 3.2 below.
- 3.2 For any decisions relating to the appointment or removal of the executive directors, membership of the Committee will include the Chief Executive Officer, as required under Schedule 7 of the National Health Service Act 2006, who will count in the quorum for the meeting. The Chief Executive Officer will not be present when the Committee is dealing with matters concerning their appointment or removal, remuneration or terms of service.
- 3.3 The chair of the Board will chair the Committee (the **Committee Chair**). In the absence of the Committee Chair and/or an appointed deputy, the remaining non-executive directors present will elect one of themselves to chair the meeting.
- 3.4 Only members of the Committee have the right to attend and vote at Committee meetings. However, the following will be invited to attend meetings of the Committee on a regular basis:
 - 3.4.1 Chief People Officer; and
 - 3.4.2 Associate Director of Corporate Affairs/Company Secretary.
- 3.5 Other individuals may be invited to attend for all or part of any meeting, as and when appropriate and necessary, particularly when the Committee is considering areas that are the responsibility of a particular executive director or manager. Any attendee will be

asked to leave the meeting when the Committee is dealing with matters concerning their appointment or removal, remuneration or terms of service.

4. Attendance and Quorum

- 4.1 Members should aim to attend every meeting and should attend a minimum of 75% of meetings held in each financial year. Where a member is unable to attend a meeting they should notify the Committee Chair or Company Secretary in advance.
- 4.2 The quorum for a meeting will be four members, including the chair of the Board (or the Deputy Chair in their absence). A duly convened meeting of the Committee at which a quorum is present will be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5. Frequency of Meetings

- 5.1 The Committee will meet as required, which will usually be four times each year.
- 5.2 The Committee may establish a sub-committee for a specific purpose where it would be impractical for the Committee to be involved, for example the appointment of an executive director following agreement by the Committee of the process, job description and person specification.

6. Conduct and Administration of Meetings

- 6.1 Meetings of the Committee will be convened by the Company Secretary at the request of the Committee Chair or any of its members.
- 6.2 The agenda of items to be discussed at the meeting will be agreed by the Committee Chair with support from the Chief People Officer and the Company Secretary. The agenda and supporting papers will be distributed to each member of the Committee and the regular attendees no later than three working days before the date of the meeting. Distribution of any papers after this deadline will require the agreement of the Committee Chair.
- 6.3 The Company Secretary will minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance and any declarations of interest.
- 6.4 Draft minutes of Committee meetings and a separate record of the actions to be taken forward will be circulated promptly to all members of the Committee. Once approved by the Committee, minutes will be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Committee Chair.

7. Duties and Responsibilities

- 7.1 The Committee will carry out the duties below for the Trust.

Remuneration Role

- 7.2 The Committee will:
 - 7.2.1 establish and keep under review a remuneration policy in respect of executive directors (as set out in Appendix A);
 - 7.2.2 consult the Chief Executive Officer about proposals relating to the remuneration of the other executive directors;
 - 7.2.3 in accordance with relevant laws, regulations and Trust policies, decide and keep under review the terms and conditions of office of the Trust's executive directors, including salary, any performance-related pay or bonus, provisions for other benefits,

including pensions and cars, allowances, payable expenses and compensation payments;

7.2.4 adhering to all relevant laws, regulations and Trust policies:

7.2.4.1 establish levels of remuneration that 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 that is affordable to the Trust;

7.2.4.2 decide whether a proportion of executive director remuneration should be structured so as to link reward to corporate and individual performance;

7.2.4.3 make sure that any performance-related elements of executive remuneration are stretching and promote the long-term sustainability of the Trust, and take as a baseline for performance any competencies required and specified in the job description for the post;

7.2.4.4 consider all relevant and current directors relating to contractual benefits such as pay and redundancy entitlements;

7.2.4.5 use national guidance and market benchmarking analysis in the annual determination of remuneration of executive directors while ensuring that increases are not made where Trust or individual performance do not justify them;

7.2.4.6 be sensitive to pay and employment conditions elsewhere in the Trust;

7.2.5 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;

7.2.6 on an annual basis monitor the remuneration of non-clinical senior leadership roles remunerated at levels above those specified in the NHS agenda for change terms and conditions;

7.2.7 approve the level of remuneration or any proposed change to remuneration for a senior leadership role referred to in 7.2.6 where the proposed remuneration for the role would exceed that of any executive director; and

7.2.8 consider issues of equality and diversity when evaluating and setting remuneration.

Appointment Role

7.3 The Committee will:

7.3.1 regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board, making use of the output of the Board evaluation process as appropriate, and make recommendations to the Board and the Governors' Nomination Committee, as applicable, with regard to any changes;

7.3.2 give full consideration to and make plans for succession planning for the executive directors, taking into account the challenges and opportunities facing the Trust and the skills and expertise needed on the Board in the future;

7.3.3 keep the leadership needs of the Trust under review at executive director level to ensure the continued ability of the Trust to operate effectively in the health economy;

7.3.4 be responsible for identifying the and appointing candidates to fill posts within its remit as and when they arise;

7.3.5 when a vacancy is identified, evaluate the balance of skills, knowledge and experience of the Board, and its diversity, and in the light of this evaluation, prepare a description of the role and capabilities required for the particular appointment. In

identifying suitable candidates the Committee will 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;

- 7.3.6 ensure that a proposed executive director is a 'fit and proper' person as defined in law and regulation and monitor procedures to ensure that executive directors remain 'fit and proper' persons;
- 7.3.7 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;
- 7.3.8 ensure that 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;
- 7.3.9 carefully consider what compensation commitments (including pension contributions) the executive directors' terms of office would give rise to in the event of early termination to avoid rewarding poor performance. Contracts should allow for compensation to be reduced to reflect a departing executive director's obligation to mitigate loss. Appropriate clawback provisions should be considered in the case of an executive director returning to the NHS within the period of putative notice; and
- 7.3.10 consider any matter relating to the continuation in office of any executive director, including the suspension or termination of service of an individual as an employee of the Trust, subject to the provisions of the law and their service contract.

8. Accountability and Reporting

- 8.1 The Committee Chair will report to the Board following each meeting, drawing the Board's attention to any matters of significance or where actions or improvements are needed.
- 8.2 The Trust's annual report will include sections describing the work of the Committee including its remuneration policies, details of the remuneration paid to executive directors and the process it has used in relation to the appointment of executive directors.

9. Review of Terms of Reference and Performance and Effectiveness

- 9.1 At least once a year the Committee will review its collective performance and its terms of reference. Any proposed changes to the terms of reference will be recommended to the Board for approval.

10. References

- 10.1 National Health Service Act 2006
- 10.2 NHS Foundation Trust Code of Governance
- 10.3 NHS Improvement Guidance on pay for very senior managers in NHS trusts and foundation trusts

Appendix A Executive Director Pay Principles

1. The importance of executive director 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 director 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 director posts will be determined by:

- Use of NHS Improvement (**NHSI**) data on pay for executive director 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 the Committee 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 executive directors

The following principles will apply:

- UHS will aim to pay at around mid-point of NHSI 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 where this is not justified by individual performance.
- 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 director pay each year, as decided by the Committee, unless performance of an individual is unsatisfactory.
- Any decision to introduce performance-related pay, or bonuses, will be subject to decision by the Committee 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 Committee.

The Committee, supported by the Chief People Officer, will also ensure that the NHSI prevailing guidance on setting executive director pay, including any required approval process, will be followed as appropriate.

Figure 1 – NHS Improvement Pay Thresholds

Supra large acute NHS trusts and foundation trusts (£750m+)	Lower quartile	Median	Upper quartile
Chief executive	£236,000	£250,000	£265,000
Deputy chief executive	£185,500	£188,000	£195,500
Director of finance/Chief finance officer	£166,000	£172,500	£190,500
Director of workforce	£142,500	£155,000	£165,500
Medical director/Chief medical officer	£205,000	£214,000	£233,500
Director of nursing/Chief nursing officer	£150,000	£163,500	£168,000
Chief operating officer	£143,500	£162,500	£174,500
Director of corporate affairs/governance	£113,000	£117,500	£134,000
Director of strategy/planning	£135,000	£144,000	£152,500
Director of estates and facilities	£129,500	£137,000	£146,500

Document Monitoring Information

Approval Committee:	Board of Directors
Date of Approval:	26 May 2022
Responsible Committee:	Remuneration and Appointment Committee
Monitoring (Section 9) for Completion and Presentation to Approval Committee:	November 2022
Target audience:	Board of Directors, Remuneration and Appointment Committee, NHS Regulators, Staff and Public
Key words:	Remuneration, Appointment, Nomination, Committee, Board, Terms of Reference
Main areas affected:	Trust-wide
Summary of most recent changes if applicable:	Addition of a description of the role of the committee in respect of the remuneration of senior management other than executive directors and the replacement of the remuneration table in appendix A with that applicable to supra large acute NHS trusts
Consultation:	Remuneration and Appointment Committee
Number of pages:	8
Type of document:	Committee Terms of Reference
Does this document replace or revise an existing document?	Yes
Should this document be made available on the public website?	Yes
Is this document to be published in any other format?	No