

## Board of Directors' Meeting: 13 April 2023

<b>Agenda item</b>	044/23		
<b>Report Title</b>	Remuneration Committee Terms of Reference		
<b>Executive Lead</b>	Anna Milanec, Director of Governance and Communications		
<b>Report Author</b>	Deborah Bryce, Interim Governance Consultant		
<b>CQC Domain:</b>	<b>Link to Strategic Goal:</b>		<b>Link to BAF / risk:</b>
Safe	Our patients and community		BAF1, BAF4, BAF 8 etc
Effective	Our people		
Caring	Our service delivery		<b>Trust Risk Register id:</b> 236, 435, 672 etc
Responsive	Our governance	√	
Well Led	Our partners	√	
<b>Consultation Communication</b>	Remuneration Committee, 8 February 2023		
<b>Executive summary:</b>	<p>Work has been underway during the last few months to review the effectiveness of the committees of the Board. The Remuneration Committee terms of reference have been reviewed and updated as part of this work, with input from the lead executive.</p> <p>The terms of reference follows the new standard format. Those in attendance at the committee have been refreshed and clarified. The duties of the committee have been enhanced to reflect best practice.</p> <p>The committee will have delegated authority from the Board to determine remuneration and terms of service, as per its terms of reference.</p> <p>It is intended that the terms of reference will be reviewed annually.</p>		
<b>Recommendations for the Board:</b>	<p>The Board is asked to:</p> <p>Consider and approve the Remuneration Committee terms of reference.</p>		
<b>Appendices:</b>	Appendix 1: Remuneration Committee Terms of Reference		

## Remuneration Committee

### Terms of Reference

<p><b>1 Constitution</b></p>
<p>1.1 The Board of Directors hereby resolves to establish a standing committee of the Board to be known as the Remuneration Committee (“the Committee”).</p> <p>1.2 The Committee is a non-executive Committee of the Board and has no executive powers, other than those specifically delegated in these Terms of Reference, or otherwise by the Board of Directors in its Scheme of Delegation.</p> <p>1.3 As a Committee of the Board the Standing Orders of the Trust shall apply to the conduct of the working of the Remuneration Committee.</p>
<p><b>2 Authority</b></p>
<p>2.1 The Committee is authorised by the Board of Directors to investigate any activity within these terms of reference.</p> <p>2.2 The Committee has delegated authority from the Board to determine the remuneration and terms of service of the Board Executive Directors and other Senior Managers and to be responsible for identifying and appointing candidates to fill all the Executive Director positions on the Board. The Committee is also authorised to consider any matter relating to the continuing in office of any Board Executive Director.</p> <p>2.3 It is authorised to obtain such internal information it deems necessary to fulfil its duties. All members of staff are directed to co-operate with any request made by the Committee.</p> <p>2.4 The Committee is authorised to obtain outside legal or other independent professional advice and to secure the attendance of advisors with relevant experience and expertise if it considers this necessary, subject to Standing Financial instructions, Scheme of Delegation and approval of the Chief Executive and Trust Chair.</p> <p>2.5 These Terms of Reference can be amended only with the approval of the Board of Directors.</p>
<p><b>3 Purpose</b></p>
<p>3.1 The Committee is responsible for identifying and appointing candidates to fill all the Executive Director positions on the Board and for deciding their remuneration and allowances, including pension rights and any compensation payments, and other terms and conditions of service. The committee should also recommend and monitor the level and structure of remuneration for senior managers on locally determined pay.</p> <p>3.2 The Committee is responsible for considering the structure, size and composition of the Board as a whole, succession planning and considering the requirements for Non-Executive Director appointments.</p>

## **4 Committee Membership**

4.1 Membership of the Remuneration Committee will comprise: All of the Non-Executive Director (NED) Board members of Shrewsbury & Telford Hospital NHS Trust and the Trust Chair.

4.2 The Committee will be chaired by the Trust Chair. In the absence of the Trust Chair, or their designated NED deputy, another NED member shall be elected chair by the other members of the Committee.

4.3 Only members of the Committee shall attend the meetings, save for those stated in section 5. below.

## **5 Attendees**

5.1 Those normally in attendance at the Committee meetings shall be:

- the Chief Executive, except where the Chief Executive's remuneration, terms of service or appointment are being considered, to provide their view on proposals
- the Director of People & Organisation Development, as adviser to the Committee
- the Director of Governance and Communications, to provide appropriate support to the Chair and the Committee members
- the Committee may invite other managers to attend in an advisory capacity or seek information from an external independent source, if necessary and depending on prior approval from the Committee Chair (where remuneration consultants are appointed, a statement should be made available as to whether they have any other connection with the Trust).

5.2 Those who are normally in attendance may exceptionally send a deputy to the meeting, with prior consent of the Chair.

5.3 Meetings are not open to members of the public.

5.4 Those in attendance do not count towards the quorum.

## **6 Quorum**

6.1 A quorum shall be at least four Non-Executive Director members present, including the Committee Chair or their designated NED deputy.

6.2 No business shall be transacted by the Committee unless a quorum is present. A quorate meeting shall be competent to exercise all or any of the authorities, powers and duties vested in or exercised by the Committee.

6.3 At the discretion of the Chair of the Committee, business may be transacted through either: a tele/video-conference where an agenda has been issued in advance; or through the signing by two thirds of members of a written resolution sent in advance to members and recorded in the minutes of the next formal meeting.

## **7 Responsibilities of members**

7.1 Identify agenda items for consideration by the Chair and the Committee Administrator at least 15 days before the meeting.

7.2 If unable to attend, send their apologies to the Chair and Committee Secretary with adequate notice prior to the meeting.

7.3 If appropriate, for 'attendees' of the meeting, seek the approval of the Chair to send a deputy to attend on their behalf.

7.4 When matters are discussed in confidence at the meeting, maintain such confidences.

7.5 At the start of the meeting, or prior, declare any relevant/potential conflicts of interest in respect of specific agenda items in order that these can be considered by the committee/chair of the meeting in relation to participation in the agenda item.

7.6 Ensure that no Executive Director shall be involved in any decisions as to their own remuneration.

7.7 Seek to ensure that all decisions taken are fair and that equality of opportunity, diversity and inclusion impacts are considered.

## **8 Frequency of Meetings**

8.1 The Committee shall meet at least twice per year.

8.2 The Board or Committee Chair may request an additional meeting(s) if they consider that one is necessary to enable the Committee to discharge all its responsibilities.

## **9 Meeting administration**

9.1 Meetings dates will be agreed by the committee members each year in advance. Notice of additional ordinary meetings will be given at least 14 days in advance unless members agree otherwise.

9.2 Every effort should be made to ensure that the meeting dates enable all Non-Executive members to attend, where possible, due to the committee having delegated authority to make decisions on behalf of the Board.

9.3 The agenda shall be determined by the Committee's agreed annual cycle of business/schedule, the Committee Chair, and the lead executive director.

9.4 The Director of People & OD will be the lead Executive for the Committee.

9.5 Agenda papers shall be submitted at least 14 days prior to the meeting.

9.6 The agenda and papers will normally be circulated 7 days prior to the meeting and at least 6 days prior.

9.7 The Committee Secretary, or their nominee, shall record the minutes of the meetings and provide relevant support for agenda setting, action logs and meeting invitations.

9.8 Minutes of Committee meetings should be formally recorded and distributed to Committee Members within at least 10 days of the meeting, subject to prior agreement of them with the Committee Chair.

## **10 Duties of the Committee**

The duties/responsibilities of the Committee are as follows:

### **10.1 Board structure, size and composition**

10.1.1 Regularly review the structure, size and composition (including the skills, knowledge, diversity and experience) required of the Board as a whole compared to its current position, making use of the output of the Board evaluation process, as appropriate;

10.1.2 Determine any changes, leadership and development needs, and making recommendations to the Board.

## **10.2 Succession planning**

10.2.1 Fully review plans for succession planning of all Board members, and subsequent outputs, taking into account the challenges and opportunities facing the Trust and the skills and expertise needed on the Board in the future (*succession planning of senior managers to be undertaken by the executive group*).

## **10.3 Appointment of the Chief Executive, and other Executive and Corporate Board Directors**

10.3.2 Where a new Chief Executive, Executive or Corporate Board Director is to be appointed, being responsible for the selection criteria, appointment on behalf of the Board and setting the terms of reference for any Appointments Panel, along with Remuneration Consultants who advise the Committee. And to obtain reliable, up to date information about remuneration in other Trusts.

10.3.3 Ensure that a proposed Director is a 'fit and proper' person as defined in law and regulation.

10.3.4 Ensure that a proposed Executive Director's other significant commitments are disclosed before appointment and that the proposed appointees disclose any business interests that may result in a conflict of interest prior to appointment.

10.3.5 Consider any matter relating to the continuing 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.

## **10.4 Board Remuneration**

10.4.1 In undertaking its work, the Committee should abide by the principles and provisions as set out in the *Code of Governance for NHS Provider Trusts* (Section E: Remuneration).

10.4.2 Establish and keep under review a remuneration policy in respect of Executive Directors (and senior managers on locally determined pay).

10.4.3 Consult the Chief Executive and Trust Chair concerning proposals relating to the remuneration of Executive Directors (and senior managers on locally determined pay).

10.4.4 Decide and keep under review (making recommendations to NHS England where appropriate as per any constraints within national frameworks) the contractual terms and conditions of office of the Executive Directors (and senior managers on locally determined pay); ensuring they are in accordance with all relevant laws, regulations, trust policy, national policy and guidance, including:

- Salary, including any performance-related pay or bonus
- Provisions for other benefits, including pensions and cars
- Allowances
- Payable expenses
- Compensation payments.

10.4.5 Consider any pension consequences and associated costs to the Trust of basic salary increases and other changes in pensionable remuneration.

10.4.6 In adhering to all relevant laws, regulations, trust and national policies the Committee should:

- Establish levels of remuneration which are sufficient to attract, retain and motivate Executive Directors, without paying more than is necessary.
- Use national guidance and relevant benchmarking analysis in the annual determination of remuneration of Executive Directors (and senior managers on locally determined pay).
- Be sensitive to pay and employment conditions elsewhere in the Trust.

10.4.7 Monitor and assess the output of the evaluation of the performance of the Executive Directors and consider this when reviewing changes to remuneration levels.

10.4.8 Determine whether a proportion of an Executive Director's remuneration should be linked to corporate and individual performance and, if so, approving an appropriate scheme of performance - related remuneration, linked to challenging performance criteria reflecting the objectives of the Trust, and the total annual payments under such scheme.

10.4.9 In developing and overseeing contractual terms and remuneration packages, the Committee will:

- a) have a clear statement of the responsibilities of the individual posts and their accountabilities for meeting objectives of the organisation;
- b) use a fair means of assessing the comparative job "weight";
- c) consider comparative salary information
- d) avoid rewarding poor performance via termination payments.

10.4.10 Scrutinise any termination payments relating to Executive Directors, ensuring they have been properly calculated and that any relevant guidance has been taken account of.

## **10.5 Board Performance**

10.5.1 Review the performance of the Chief Executive, noting the assessments of the Trust Chair.

10.5.2 Review the performance of the Executive Directors, noting the assessments of the Chief Executive.

## **10.6 Organisational Development**

10.6.1 Reviewing and advising on major organisational development and reconfigurations proposals.

## **10.7 Appointment of Non-Executive Directors**

10.7.1 Where a new Non-Executive Director is to be appointed, communicating views on the balance of skills, knowledge and experience required on the Board and its description of the role and capabilities required for the particular appointment.

## **10.8 Local Pay Awards**

10.8.1 Sanctioning the parameters for negotiations for all local pay and reward structures.

## **10.9 Terminations**

10.9.1 Ensure that contractual terms on termination, and any payments made, are fair to the individual, the NHS, and that failure is not rewarded.

10.9.2 Reviewing all proposed termination payments to be made to the Executive Directors, other Directors (and senior managers on locally determined pay), prior to submission to other bodies in accordance with the national guidelines in existence at the time.

10.9.3 Reviewing all proposed termination payments to be made to other staff, in accordance with national guidelines in existence at the time.

## **11. Reporting**

11.1 The Committee is accountable to the Board of Directors and the Committee Chair will report regularly on the Committee's proceedings in discharging its responsibilities.

11.2 The Committee will report to the Board at least annually on its work in support of the business of the Board. This annual report should also describe how the Committee has fulfilled its terms of reference and give details of any significant issues that the Committee considered and how they were addressed.

11.3 The composition of the Committee will be disclosed in the Trust's Annual Report.

## **12. Monitoring Effectiveness**

12.1 The Committee will conduct an annual review of its effectiveness and provide an annual report to the Board on its work in discharging its duties, delivering its objectives and complying with its terms of reference.

## **13. Status of these Terms of Reference**

13.1 The Committee's Terms of Reference, including membership, will be subject to annual review. Any proposed variations will require approval of the Board of Directors.

**Agreed by Remuneration Committee on 8 February 2023**

**Approved by the Board of Directors on [date]**