## REMUNERATION COMMITTEE

### TERMS OF REFERENCE

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<th>Version:</th>
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<td>Sponsor:</td>
<td>Head of Governance/Foundation Trust Secretary</td>
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<td>Approval authority:</td>
<td>Board of Directors</td>
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REMUNERATION COMMITTEE
TERMS OF REFERENCE

1 Accountability

1.1 The Remuneration Committee (RC) is accountable to and will report directly to the Board of Directors.

2 Purpose

2.1 Through the application of the Remuneration Principles* to position the Trust in a way that it is able to attract, retain and motivate Executive Directors and Very Senior Managers of sufficient calibre to improve even further the high quality, patient-centred healthcare the Trust delivers, to effectively manage the Trust’s resources and implement the Trust’s long term strategy.

(definition of very senior manager: anyone 8D and above who is not on agenda for change or on a Consultant paygrade)

The Non-Executive Director Remuneration Committee (NEDRC) is responsible for reviewing and setting salaries for the Non-Executive Directors and Chair of the Trust.

3 Membership

3.1 The RC comprises the Chair of the Trust and all Non-Executive Directors. The Chair of the Trust will sit as a voting member of the RC.

3.2 The Committee shall be chaired by the Senior Independent Director. A deputy shall be appointed from amongst the membership but shall not be the Chair of the Trust.

3.3 The Chief Executive will be invited to attend all meetings subject to recusing herself for items related to her. The Chief Executive will provide information on issues in relation to discussions about Board composition, succession planning and remuneration of Executive Directors. The Chief Executive will undertake a review of the Board performance of Executive Directors against objectives on an annual basis which will be reported to the RC.

3.4 The Executive Directors may be invited by the Chair of the Committee to attend RC meetings to offer information. He/she will withdraw from the meeting when discussions about his/her own performance, remuneration and terms and conditions are held or when requested to do so by the Chair of the Committee. The Head of Governance will oversee the business of RC reporting to the Chair of the Committee and receiving advice as necessary from the Chief Executive. The final agenda for meetings will be determined by the Chair of the Committee. The Associate Director of People will advise the RC on pertinent issues regarding pay and conditions, including relevant benchmarking, for Executive Directors in an impartial manner and will also implement actions arising from RC meetings and in accordance with the instructions of the Chair of the Committee.

*Remuneration Principles attached (Appendix 1)
4 Quorum

4.1 A Quorum will consist of not less than four members of the Committee with at least the Chair of the Committee or the Deputy Chair of the Committee present.

5 Procedures

5.1 The RC shall appoint a secretary to prepare agendas, keep minutes, and deal with any other matters concerning the administration of the Committee.

5.2 Notification of meetings and related papers may be issued to members and invitees, subject to maintaining individual confidentiality.

5.3 Members are to ensure that all confidential papers are kept securely and disposed of by returning to the Secretary for disposal in confidential waste.

5.4 Formal minutes will be recorded of each meeting and, save for items of individual confidentiality, will be distributed to those present at meetings. Minutes will be held securely by all recipients. The official Remuneration Committee file, held by the Secretary, may be accessed by Auditors with prior approval of the Trust Chair or Chair of the Committee. Such access will be subject to the Auditors’ overall confidentiality obligation as set out in their terms of engagement letter.

5.5 The Secretary will be responsible for maintaining the terms of reference, agenda, minutes, and the action and attendance log on the RC shared drive.

5.6 The Committee shall report, at least annually, to the Board of Directors outlining its main activities during the period since its last report.

5.7 Any member of the Board may raise an issue with the Chair of the Committee, normally by written submission. The Chair will decide whether or not the issue shall be included in the Committee’s business. The individual raising the matter may be invited to attend.

5.8 In exceptional circumstances, the Chair of the Committee may progress the business of the Committee in making decisions out of Committee, in approving spot salary increases which are in line with the Remuneration Principles. Such decisions will be reported to the Committee at its next meeting and the decision will be recorded in the minutes. In circumstances where changes to the terms of conditions of service of Executive Directors are required, in order to ensure the effective and efficient operation of the Trust between Committee meetings, the Chair of the Committee will consult with all members of the Committee and on receipt of majority approval may authorise such changes on behalf of the Committee. Such decisions will be recorded in the minutes of the next Committee meeting.
6 Frequency of Meetings

6.1 Meetings will be scheduled four times a year and will be held no less than twice in each financial reporting year.

7 Powers

7.1 The Committee will use external comparison data on the pay and conditions of Executive Directors in comparator FTs no less frequently than every two years. This work will be undertaken on behalf of the RC by a competent and suitably qualified external organisation or the Associate Director of People, who is a Trust employee.

7.2 Authorise the Chief Executive, Chief Financial Officer, and the Associate Director of People to implement agreed remuneration packages and associated terms and conditions.

8 Duties and Responsibilities

8.1 To develop and maintain the Remuneration Principles document.

8.2 To recommend the remuneration and terms and conditions, for example relating to pensions, for the Trust’s Chief Executive, Executive Directors and very senior managers.

8.3 To apply sound judgement on remuneration and associated matters within its remit within the wording and the spirit of the agreed Remuneration Principles document.

To determine redundancy, severance and capitalised pension costs in excess of £100k in line with NHSI guidance and the NHS Terms and Conditions of Service Handbook applicable at the time of the redundancy or severance.

8.4 To receive the performance summaries of Executive Directors and very senior managers reported by the Chief Executive. The Chief Executive to take into account the views of the Chair of the Board of Directors when considering the performance of the relevant Executive Director at Board meetings. To receive the performance summary of the Chief Executive no less frequently than annually, as carried out the Chair of the Trust.

In reaching its determinations, the Committee, in exceptional circumstances, might deviate from the general principles espoused in the rest of these ToRs to either significantly increase or reduce remuneration.

8.5 To ensure that effective succession planning is in place for the Chief Executive and Executive Directors. To review the succession plan annually in line with the work plan.

8.6 To receive assurance annually from the Chief Executive that effective succession planning is in place for very senior managers.
8.7 To act as approval authority for the Governor Expenses Policy on behalf of the Board.

9 Monitoring the effectiveness of the Committee

9.1 The RC will monitor its effectiveness by reviewing its duties and responsibilities and comment on this in the annual report.

10 Review

10.1 The Board of Directors will review the Terms of Reference of the RC to ensure that it remains fit for purpose and is best facilitated to discharge its duties. This should happen no less frequently than every three years or with a change of Chair.

10.2 The RC shall undertake a formal review of the Remuneration Principles at least every three years or earlier should the RC deem such review necessary.
Appendix 1
Remuneration Committee
Remuneration Principles and Application 2018

Key principles

1. The Committee understands that its approach must strike an appropriate balance with the its duty to ensure the effective stewardship of public resources. The Committee understands that senior level positions in the Trust operate in a regional/national context and that remuneration for these positions is primarily determined by the market. In order to remain competitive and attract and retain high calibre staff, the salaries of senior staff must be regularly reviewed to ensure that they remain broadly competitive and that the salaries offered to incumbents do not degrade over time so that they are out of line with comparable Trusts. Nevertheless, the Committee will avoid paying more than is necessary to recruit, retain and motivate high calibre Executive Directors and Very Senior Managers* and will take positions that are publicly defensible.

   * Very Senior Managers = anyone grade 8D and above who is not on Agenda for Change or on a Consultant pay grade.

2. The Committee’s approach to remuneration will seek to position the Trust in a way that it is able to attract, retain and motivate Executive Directors and Very Senior Managers of sufficient calibre to maintain high quality, patient-centred healthcare and effective management of the Trust's resources.

3. In reaching its determinations, the Committee will take proper account of National Agreements, for example Agenda for Change, and guidance issued by the Government, the Department of Health and the NHS market rates for comparable roles in comparable organisations.

4. The Committee will treat all people with equality and fairness when determining remuneration.

5. The Committee will be rigorous in ensuring that potential conflicts of interest are recognised and avoided. Executive Directors and Very Senior Managers will not be involved in deciding their own remuneration package.

6. On an annual basis, the Committee will consider the remuneration packages of all Executive Directors and Very Senior Managers bearing in mind the performance of the Executive Directors and Very Senior Managers in fulfilling their duties and in regard to the overall performance of the Trust (as set out in Appendix A). The objectives set for the Executive Directors at appraisal and the progress against these will be shared with the Committee.
7. The Committee will consider external benchmark comparison data on the pay and conditions of EDs and Very Senior Managers in comparator FTs annually. This work will be undertaken on behalf of the RC by the Associate Director of People. The process followed for benchmarking can be found at Appendix A. The Committee will make judgements on where it wants to position its relative remuneration package for Executive Directors and Very Senior Managers. The RC will treat comparator data with caution not least so as to avoid undue pay inflation.

8. The Committee will seek to apply the principles fairly and transparently and on the basis of data and advice from competent external bodies/consultants or senior HR advisor as necessary. The Committee understands that it will use the data it gathers and the framework set out in the principles to exercise the necessary judgment on pay and reward issues. The Committee will ensure that remuneration reflects the extent of the role and responsibilities of individual posts and their contribution to the organisation and will be based on judgements relating to:
   - Market rates for comparable roles in comparable organisations
   - Interpretation of the data from an agreed comparator group
   - The size and scope of the role in question
   - Advice from the Chairman of the Trust in relation to the Chief Executive
   - Information from the Chief Executive in relation to the Executive Directors and Very Senior Managers
   - Affordability
   - Other NHS pay settlements
   - Wider implications that may arise from setting the remuneration packages of Executive Directors and Very Senior Managers in relation to pay levels determined through national agreements within the NHS
   - Performance against set objectives
   - Any other factors deemed appropriate.

9. The Committee will seek to achieve broadly standardised terms and conditions for example on notice periods for all posts which fall within the scope of the principles. RC has resolved to move towards a situation in which there is a higher degree of conformity (a notice period of six months).

10. The Committee will be transparent in the application of its remuneration principles. It is a requirement that details of the remuneration package for Board Directors are recorded in the Trust’s Annual Report.

11. The Trust recognises that the RC has the authorised responsibility to apply its independent judgement on matters within its remit within the wording and the spirit of the agreed principles. However, there may be times when a different approach is required which steps outside the scope of the principles and in these cases, particular care must be taken and clear justification must be given.
and recorded. Some circumstances which may require flexibility include temporary promotions; atypical employment conditions; specific issues related to individuals etc. The Committee will reserve the right to recruit an Executive Director or Very Senior Manager on a salary below the market value in cases where a development plan would enable the employee to reach the minimum standards to undertake the role at a satisfactory level. The Committee also reserves the right to pay additional payments to Executive Directors and Very Senior Managers when deemed necessary because of exceptional circumstances. The occasions when additional payments are required will be limited. When considering using additional payments, the RC will need to be able to fully justify and explain why it has opted to take this course of action. It would only normally consider such action on the basis of a clear business case. Special care must be taken to ensure that the use of additional payments is completely transparent and that consideration has been given to the impact on pay inflation among Executive Directors and Very Senior Managers as well as to guard against accusations of bias or arbitrary practice.

10. The Committee will on an annual basis (in line with the Committee’s work plan) ensure effective succession planning is in place for the Executive Directors and receive assurance from the Chief Executive that effective succession planning is in place for Very Senior Managers.

Scope

1. The principles will apply to the pay, awards and terms of employment of the Trust’s Chief Executive and Executive Directors and Very Senior Managers and include the following components:
   - the core salary
   - any supplementary payments to the Director over and above the core salary in recognition of extraordinary factors such as matching market forces in recruitment; exceptional performance etc.;
   - additional non-pay benefits over and above the core salary including pensions, vehicle/lease car issues, mobile phones and other such benefits;
   - the terms and conditions in regards to issues (such as notice periods, conditions attached at recruitment stage for professional development for example) etc.;
   - arrangements for termination of employment and other contractual terms.

2. On an annual basis the Committee will consider whether any issues have emerged which require consideration of any adjustments to existing remuneration packages such as:
   - at the beginning of a process to recruit a replacement Executive Director or Very Senior Manager;
   - when issues concerning national inflationary uplifts within the NHS need to be considered – on an annual basis;
   - when changes are made to the size and scope of Executive Director or Very Senior Manager portfolios.
Appendix A

Process for benchmarking Executive Director salaries
Each year the Committee will agree a number of trusts, typically 10-12, of a similar type, turnover, FTE, CQC rating and any other factor considered appropriate at that time and will establish the salary data for comparable executive director roles within those trusts as a primary source of benchmark data. In addition this will be completed for neighbouring trusts as directed by the Committee.

Each year NHS Providers complete a survey of remuneration paid to executive and non-executive directors of all trusts and foundation trusts operating in the UK. Typically between 140 and 150 trusts complete the return and data is collated into the annual dashboards. The data is sorted by trust size based on FTE and the largest group, median FTE, will be used to provide an additional source of benchmark data for comparison purposes.

The final set of data is that used by NHSI as benchmark data for very large trusts, ie those with a turnover of over £500m. NHSI provide median, upper and lower quartile data when publishing this data.

The Associate Director of People will also provide some analysis of the benchmarking data, history of individuals pay awards and any other data regarding current or planned NHS pay awards to inform the Committee.

The Committee will use these sources of benchmark data to inform the discussion to decide remuneration for all Executive Director positions.

Process for benchmarking Very Senior Manager salaries
Benchmarking data for Very Senior Managers as defined in these principles is significantly more difficult to establish.

In advance of Very Senior Manager remuneration reviews, the Associate Director of People will write to each of the benchmark trusts identified as the peer group for Executive Director remuneration reviews seek benchmark comparators. It must be recognised that different trusts may have significantly different management and leadership structures and direct comparison of roles is often very difficult. Trusts operating within the peninsula will also be approached irrespective of relative size to provide a local benchmark. The Associate Director of People will also provide some analysis of the benchmarking data, recent history of individual pay awards, current Executive Director remuneration and any other data regarding current or planned NHS pay awards to inform the Committee during the review of Very Senior Manager packages.