

**COUNCIL OF GOVERNORS: 29 July 2015**

**Report Title: Report from Remuneration Committee for Non-Executive Directors including the Chairman**

**Report From: Rev. Dr Mervyn Willshaw, Deputy Chair of Council of Governors/Public Governor**

**Report Purpose: To consider and approve the recommendations**

### **Remuneration of Non- Executive Directors**

#### **1. Introduction and Background**

The NHS Foundation Trust Code of Governance clearly states that the Council of Governors is responsible for setting the remuneration of Non-Executive Directors and the Chair. The levels of remuneration should reflect the time commitment and responsibility of roles.

The Remuneration Committee met on 22 July 2015 to discuss the remuneration for the Chairman and Non-Executive Directors in the coming 2015/16 financial year. The minutes of the meeting are attached at Appendix A. **The members of the Remuneration Committee are asked to ratify these minutes.**

#### **2. The role of the Chair and Non-Executive Directors**

There is a clear division of responsibilities at senior levels within the Trust between the Chair and Non-Executive Directors and the Executive Directors.

**In summary, the Chair of the Foundation Trust is responsible and accountable for:-**

- Promoting the highest standards of integrity, probity and corporate governance throughout the organisation and particularly at the level of the Board of Directors;
- Demonstrating visible and ethical personal leadership by modelling the highest standards of personal behaviour and ensuring that the Board of Directors emulates this example;
- Leading the board in establishing effective decision-making processes and acting as the guardian of the due process;
- Ensuring that constructive relations based on candour, trust and mutual respect exist between Executive and Non-Executive Directors, elected and appointed members of the Council of Governors and between the Board of Directors and the Council of Governors;

- Developing productive working relationships with all Executive Directors and the Chief Executive in particular, providing support, guidance and advice;
- Promoting an understanding of the role of the board, the scheme of delegations, the role of non-Executive Directors and the role of Executive Directors; and
- General leadership of the Board of Directors and the Council of Governors, ensuring that the Board of Directors and Council of Governors work together effectively.

The role of the Non-Executive Director is to bring an independent perspective to the boardroom on issues of strategy, performance and resources, including key appointments and standards of conduct. This is in addition to any specific knowledge and skills they may have. Non-Executive Directors have a duty to uphold the highest standards of integrity and probity and foster good relations in the boardroom.

The Trust has a 'Unitary Board', meaning there is no legal distinction between Executive and Non-Executive Directors. Non-Executive Directors have the same legal duties, responsibilities and potential liabilities as the Executive Directors.

All Directors should be capable of seeing Trust issues in a broad perspective. Nonetheless, Non-Executive Directors are recruited because they have a breadth of experience, are of an appropriate calibre and have particular personal qualities. Additionally, they have some specialist knowledge that helps provide the board with valuable insights or, perhaps, key contacts in related services.

Of the utmost importance is their independence. This means they bring objectivity to the deliberations of the Board of Directors.

**The key responsibilities of the Non-Executive Directors include the following:**

- Supporting the Chair, Chief Executive and Executive Directors in promoting the Foundation Trust's values;
- Supporting a positive culture throughout the Foundation Trust and adopt behaviours in the boardroom and elsewhere that exemplify the corporate culture;
- Constructively challenging the decisions of the board and ensure that appropriate challenge is made in all circumstances;
- Helping develop proposals on priorities;
- Helping develop proposals on values and standards; and
- Contributing to the development of strategy.

**Non-Executive Directors have a duty to:**

- Scrutinise the performance of the executive management in meeting agreed goals and objectives;
- Satisfy themselves as to the integrity of financial, clinical and other information
- Satisfy themselves that financial and clinical quality controls and systems of risk, management and governance are sound and that they are used; and

- Ensure that they receive adequate information in the form that they specify and to monitor the reporting of performance.

**Non-Executive Directors are responsible for:**

- Determining appropriate levels of remuneration of Executive Directors;
- Participating in the appraisal of Executive Directors, their fellow non-Executive Directors and the Chair;
- Appointing the Chief Executive;
- Appointing other Executive Directors;
- Where necessary removing Executive Directors; and
- Succession planning for key executive posts

The Non-Executive Directors, additionally to their Board of Directors role, provide general counsel based on their knowledge and expertise such that the Chairman and Chief Executive may seek their guidance on particular issues. Some of the work of the Non-Executive Directors will be carried out in sub-committees, for example the Audit Committee.

**3. Holding Non-Executive Directors to account**

In accordance with the Health and Social Care Act 2012, the Council of Governors has a statutory responsibility to hold Non-Executive Directors to account for the performance of the Board of Directors. To fulfil this duty, the Council of Governors must seek assurance through the performance review process described below, that the Non-Executive Directors are performing to an expected standard. This information must be taken into account when reviewing and setting remuneration for the Chair and Non-Executive Directors.

**4. Performance Reviews**

In compliance with Trust policy, all Non-Executive Directors undertook performance reviews with the Chairman in 2014/15. All Non-Executive Directors were considered to be performing at an outstanding level, and no specific issues were identified. The Deputy Chair of Governors, Rev Dr. Mervyn Willshaw, appraises the Chair with the Senior Independent Director (SID) and accompanies the Chair on all Non-Executive Director appraisals.

**5. Market analysis**

The Remuneration Committee received detailed salary benchmarking information collected by CAPITA from 2013/14 Annual reports and considered it in relation to the current remuneration received by the Chairman and Non-Executive Directors.

In addition it was confirmed that The Foundation Trust Network carried out an in-year salary survey during 2014 including the salaries for Chairs and Non-Executive Directors. The report produced based on these survey findings was consistent with the information provided by CAPITA.

## **6. Considerations of the Remuneration Committee**

Miss McMeekin, Deputy Director of Workforce and Organisational Development provided detail in her paper to the Remuneration Committee confirming that the NHS Pay Negotiating Council (PNC) this year had confirmed for staff on Agenda for Change terms and Conditions a 1% consolidated pay rise for all staff on up to point 42 (£57,069) in addition to an increment freeze for staff on pay point 34 (£40,964) and above for one year only from April 2015. Executive Directors have not been awarded a cost of living award uplift for the coming year (2015/16).

The Pay Award differs for Medical and Dental staff. Those at the top of the scale will receive either a 1% or 2% non-consolidated sum, depending on when they reached the top of their scale.

The Remuneration Committee considered the following options:

- 1 Propose that no uplift is applied to Non-Executive Director remuneration for 2015/16.
- 2 Propose to agree a different, local percentage, uplift.

## **7. Recommendations of the Remuneration Committee from the meeting on 22 July 2015**

The Remuneration Committee held a detailed discussion around the role of the Non-Executive Directors, salary details, guidance received and current financial challenges.

The recommendation of the Remuneration Committee is to not apply a pay uplift to the salaries of the Chairman and Non-Executive Directors for the financial year 2015/16, in keeping with very senior managers and Executive Directors.

On behalf of the Council of Governors, the Governors on the Committee acknowledged the continued hard work and dedication of the Non- Executive Directors and pass on their thanks.

**The Council of Governors is asked to consider and approve the recommendation of the Remuneration Committee**