

REMUNERATION COMMITTEE

TERMS OF REFERENCE

Committee Status	<p>The Remuneration Committee (“the Committee”) is a committee of the Board of Directors and has no executive powers, other than those specifically delegated to it in these terms of reference.</p> <p>It is authorised to investigate any matter within its terms of reference and to be provided with the resources to do so. It also has the right of access to all information that it deems relevant to fulfil its duties and is authorised to seek any information it requires from any employee, and all employees are directed to co-operate with any request from the Committee.</p> <p>The Committee has delegated powers to obtain any outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary¹ and to determine the terms of reference for any remuneration consultants who advise the committee, in compliance with Trust procurement rules.</p>
Reporting to	<p>The Committee is accountable to the Board of Directors and the Committee Chair will report regularly on the Committee’s proceedings.</p> <p>The minutes of Committee meetings shall be formally recorded and, as appropriate, made available to the Board of Directors.</p> <p>On an annual basis, the Committee will produce a Remuneration Committee Report in compliance with statutory and regulatory requirements for inclusion in the Annual Report.</p>
Purpose	<p>The Committee has responsibility for setting levels of executive remuneration that are sufficient to attract, retain and motivate executive directors of the quality required to run the organisation successfully, but should ensure that paying more than necessary for this purpose is avoided.</p> <p>The Committee has responsibility relating to the remuneration of Executive Directors who may be appointed in an ‘acting up’, ‘interim’ or ‘secondment’ basis. In such circumstances, the Committee shall seek recommendations from the Chief Executive.</p> <p>It should also consider all relevant and current directions relating to contractual benefits such as pay and redundancy entitlements.²</p>

¹ UK Corporate Governance Code Provision D.2.1

² NHS Foundation Trust Code of Governance Principle D.1.a

Membership	<p>The Committee members shall be appointed by the Board of Directors.</p> <p>Four Non-Executive Directors shall make up the membership of the Committee and will be entitled to receive notice of meetings and to vote.</p> <p>The board shall appoint the Committee Chairman who shall be an independent non-executive director.</p> <p>Only members of the committee have the right to attend committee meetings. However, other individuals such as the Chief Executive, the Director of Workforce, and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.³</p> <p>In the absence of the committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the board.</p> <p>The chairman of the board shall not be chairman of the committee.</p>
Attendees	<p>The following are also expected to attend each meeting:</p> <p>The Company Secretary, or nominee - to ensure coordination of Board committees and to ensure that the committee receives papers in a timely manner</p> <p>The Director of Workforce.</p> <p>The Chief Executive will have a standing invitation to attend, unless this is deemed inappropriate (for example, when discussing the Chief Executive's salary).</p> <p>Other Trust officers will attend as required by the Committee, at the request of the Chair.</p> <p>Meetings are not open to members of the public or to Members of the Council of Governors.</p> <p>Those in attendance do not count towards the quorum.</p> <p>No independent external advisor shall be a member, nor have a vote on the Committee.</p>
Quorum	<p>A quorum shall be made up of two members.</p> <p>No business shall be conducted unless a quorum is present.</p>
Frequency of Meetings	<p>Meetings shall be held at least twice a year, but may be held more frequently should circumstances require (to be determined by the Committee Chair).</p>
Meeting administration	<p>Notice of meetings will be given at least five working days in advance of the meeting unless members agree otherwise.</p>

³ NHS Foundation Trust Code of Governance, principle B.1.f,

	<p>The agenda shall be determined by the agreed work plan in conjunction with the Committee Chair in consultation with the 'Lead Executive', i.e. the Director of Workforce.</p> <p>The agenda and supporting papers will be circulated to committee members and attendees (as appropriate), at the same time.</p> <p>Items for inclusion on the agenda shall be submitted at least 7 working days prior to the meeting.</p> <p>The agenda and papers will normally be circulated at least five working days prior to the meeting.</p> <p>Urgent Committee business – as determined by the Committee Chairman - may be transacted with the use of electronic email; any decisions arising therefrom will be valid only if the response of all the Committee members is circulated to every member at that time. All emails will be retained as part of the Committee's records, and details noted in the minutes of the following Committee meeting.</p> <p>The Company Secretary, or their nominee, shall record the minutes of meetings.</p>
<p>Committee's Duties</p>	<p>The duties of the Committee are to:</p> <ol style="list-style-type: none"> 1. Review the ongoing appropriateness and relevance of the Trust's remuneration policy. 2. Exercise delegated responsibility for setting remuneration for all executive directors within the terms of the agreed remuneration policy and after consultation with the Chief Executive⁴. This will include basic salary, pension rights, any benefits in kind, any incentive arrangements and compensation commitments on early termination. No director or senior manager shall be involved in any decisions as to their own remuneration. 3. Consider the output of the evaluation of the performance of individual executive directors, in accordance with the remuneration policy. 4. Consider the performance criteria and any upper limits for annual bonuses and incentive schemes included in the remuneration of executive directors. These should be set and disclosed, and should be designed to align the interests of executive directors with those of patients, service users and taxpayers to give these directors keen incentives to perform at the highest levels. The Committee should also take into account, as a baseline for performance, any competencies required and specified within the job description for the post. Recommendations should then be made to the Board.

⁴ NHS Foundation Trust Code of Governance, principle D.2.b

	<p>5. Develop mechanisms to ensure that the Committee is adequately informed of comparative levels of remuneration for executive directors⁵ and other Trust employees who may be contracted on terms which are not part of national NHS terms and conditions, such as 'agenda for change'.</p> <p>6. Be sensitive to pay and employment conditions elsewhere in the Trust, when determining remuneration matters, within the remit of the Committee, especially when determining salary increases.⁶</p> <p>7. Determine, where the Trust releases an Executive Director to serve as a non-executive director elsewhere - whether or not the Executive Director will retain any associated earnings - and a statement to this effect will be included in the remuneration disclosures of the annual report.</p> <p>8. The Committee should not agree to an Executive Director leaving the employment of the Trust, except in accordance with the terms of their contract of employment, including but not limited to service of their full notice period and/or material reductions in their time commitment to the role, without the Board first having completed and approved a full risk assessment.</p> <p>9. Carefully consider what compensation commitments (including pension contributions and all other elements) Executive Directors' terms of appointment would entail in the event of early termination, with the aim of avoiding rewarding poor performance and reflecting a departing director's obligation to mitigate loss. Appropriate claw-back provisions should be considered in case of a director returning to the NHS within a period of any putative notice.⁷</p> <p>10. Ensure compliance with the requirements of HM Treasury with regard to severance payments and/or other payments outside of contractual obligations. The Committee must be satisfied that such payments are in the best interests of the Trust and represents value for money.</p> <p>In this regard, the Committee's role is to:</p> <ul style="list-style-type: none"> • satisfy itself that it has the relevant information before it, to make a decision to approve a submission for payments outside of contractual obligations; • conscientiously discuss and assess the merits of the case • consider the payment or payment range being proposed and address whether it is appropriate, taking into account the issues set out under initial considerations. The Committee should only approve such sum or range which it considers value for money, the best use of public funds and in the public interest, in accordance with HMT guidance, 'Managing Public Money'. • keep a written record summarising its discussions and its decision; • To monitor redundancy/ capitalised pension costs for all staff
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⁵ The Code Provision D.1

⁶ The Code Supporting Principle D.1

⁷ The Code Provision D.1.4

	<p>groups and to approve any redundancy/capitalised pension cost in excess of £100,000.</p> <p>11. To monitor compliance with IR35 / off payroll requirements.</p>
Reporting Responsibilities	The Committee Chairman shall report to the board on the proceedings after each meeting on all matters within its duties and responsibilities. ⁸
Monitoring and review	<p>The Committee's Terms of Reference, including membership, will be subject to annual review.</p> <p>The Committee will undertake an annual review of its performance, via self-assessment by its members and this will be reported, together with any agreed actions, to the Board of Directors.</p>

Approved by the Board of Directors on 26 November 2019

APPROVED

⁸ FRC Guidance on Board Effectiveness, para 6.2