

---

**EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST**

**REPORT TO: BOARD OF DIRECTORS MEETING**

**DATE: 7 AUGUST 2015**

**REPORT FROM: REMUNERATION COMMITTEE AND NOMINATIONS COMMITTEE  
HELD ON 24 JULY 2015**

**PURPOSE: Decision**

**SUMMARY OF KEY AGENDA ITEMS AND BUSINESS:**

**REMUNERATION COMMITTEE**

**The following agenda items were discussed:**

**Terms of reference:**

Terms of reference have been reviewed to reflect the committee's relationship with the council of governors nominations and remuneration committee. A copy is attached for Board endorsement.

**Executive Director pay**

The Committee made the following decisions:

- The Trust reaffirms its existing policy and practice with regard to executive director remuneration.
- Given the very challenging financial position facing the Trust and that post-holders are recently appointed that there is no pay rise for executive directors for 2015/16.
- The Board takes into account the recommended pay range by the Hay Group when embarking on the recruitment to the Chief Executive position.
- The pay range for the substantive CEO recruitment would be discussed with Monitor in terms of the process for treasury approval.

**Annual Review of Policy for Determining the Remuneration and Performance Management of Executive Directors**

The policy was approved subject to satisfactory clarification on the Equality Impact Assessment.

**Very Senior Managers' Pay Policy**

The Committee approved the amended policy to reflect affordability as a factor when determining whether senior managers can be awarded a performance pay rise.

The Committee noted a review would be undertaken by the Director of Human Resources to provide assurance to the CEO there was no discrimination in levels of pay.

**Relocation Policy**

This item was deferred to the next meeting.

**Special Severance Payments Policy**

This policy was agreed.

**NOMINATIONS COMMITTEE:**

The following agenda items were discussed:

**Terms of Reference**

A copy of the revised terms of reference are attached for Board endorsement. Changes include:

- SLB would act as substantive advisor to the Committee.
- Additional objective: To determine non-executive membership of Board Committees.
- Paragraph 2.4 was extended to include 'to make recommendations to the Council of Governors Nominations and Remuneration Committee in relation to non-executive director appointments'.

#### **Executive Appointment updates**

- The appointments panel met on 27 July 2015 and successfully appointed Sally Smith to the substantive position of Chief Nurse and Director of Quality.
- Recruitment to the substantive CEO position is being progressed.

#### **Review of the balance, size, skills and composition of the Board**

The Committee agreed it was good practice to undertake a review of the Board on an annual basis, as outlined in Monitor's Code of Governance.

The Director of Human Resources would be asked to develop a skills matrix for the Board of Directors using the latest guidance. The gap analysis would inform all Board appointments.

#### **ASSESSMENT OF EFFECTIVENESS OF REMUNERATION COMMITTEE AND NOMINATIONS COMMITTEE**

The Committee concluded the Committee operated in line with Remuneration Committees and Nominations Committees in place within other organisations.

The Committee discussed the role of the Nominations Committee in succession planning / talent management. It was agreed the Director of Human Resources would be asked to advise the Committee on current systems across the Trust (very senior managers and below), including medical leadership at a future meeting.

The Committee referred to processes for appointing and removing the CEO and the importance of mitigating future risks. For clarification, below is an extract from the Trust's Constitution. Trust HR processes would be followed.

#### **PARAGRAPH 31, EKHUFT CONSTITUTION:**

##### **31. Board of Directors - appointment and removal of the Chief Executive and other executive directors**

- 31.1** The non-executive directors shall appoint or remove the Chief Executive.
- 31.2** The appointment of the Chief Executive shall require the approval of the Council of Governors.
- 31.3** Not used.
- 31.4** A committee consisting of the Chairman, the Chief Executive and the other non-executive directors shall appoint or remove the other executive directors.

**SUMMARY OF KEY ACTIONS FOR THE BOARD OF DIRECTORS:**

- To note the decisions made by the Remuneration Committee and Nominations Committee at their meeting held on 24 July 2015.
- To endorse the amended Terms of Reference on recommendation by the Remuneration Committee and Nominations Committee.

Richard Earland  
Chair Remuneration Committee and Nominations Committee  
July 2015

**EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST**  
**BOARD OF DIRECTORS**  
**REMUNERATION COMMITTEE FOR EXECUTIVE DIRECTORS**  
**TERMS OF REFERENCE**

**1. PURPOSE OF THE COMMITTEE**

- 1.1 The Remuneration Committee is a Committee of the Board and fulfils the role of the Remuneration Committee (for executive directors) described in the Trust's constitution and the NHS Foundation Trust Code of Governance.
- 1.2 The purpose of the committee will be to decide on the appropriate remuneration, allowances and terms of and conditions of service for the chief executive and other executive directors including:
  - (i) all aspects of salary (including performance related elements/ bonuses)
  - (ii) provisions for other benefits, including pensions and cars
  - (iii) arrangements for termination of employment and other contractual terms
- 1.3 To recommend the level of remuneration for Executive Directors and monitor the level and structure of remuneration for very senior management.
- 1.4 To agree and oversee, on behalf of the Board of Directors, performance management of the executive directors, including the chief executive.
- 1.4 Any proposed changes to the terms of reference will be approved by the Board.

**2. OBJECTIVES**

- 2.1 To set the remuneration and terms of service for the chief executive and executive directors with the support of independent advice as appropriate.
- 2.2 To ensure that individual executive directors have performance objectives and personal development plans, that are reviewed twice yearly. The review will also consider the capability of the executives as a team as well as at the level of individuals identifying any team development needs
- 2.3 To include in its decisions all aspects of salary (including any performance related elements) and provisions for other benefits (including pensions and cars).
- 2.4 To decide on the appropriate contractual arrangements for executive directors, including a proper calculation and scrutiny of termination payments, taking account of legislation and such national guidance as is appropriate.
- 2.5 To ensure the Trust achieves proper control of the total remuneration paid to the executive directors by developing appropriate pay and reward policies for these posts. The Committee will ensure it has a clear statement of the responsibilities of the individual posts and their accountabilities for meeting the objectives of the organisation, a person specification for each post, a means of assessing the comparative job "weight", with comparative salary information from the NHS and other areas and criteria and mechanisms for assessing performance.

- 2.6 To ensure the publication, in annual reports, of the total remuneration from NHS sources of the chief executive and executive directors.
- 2.7 To recommend and monitor the level and structure of remuneration for senior management. The definition of senior management for this purpose will be determined by the Board and described in the Pay Policy for very Senior Managers.
- 2.8 To receive an annual report on the application of the Pay Policy for very Senior Managers from the chief executive
- 2.9 Approve any non-contractual termination payments to staff in-line with the Trust's Special Severance Pay Policy.
- 2.10 To review the Trust's succession plans for Executive Director post ensuring any gaps are effectively mitigated.

### 3. DELEGATED AUTHORITY

Reference should be made, as appropriate, to the Standing Orders and Standing Financial Instructions of the Trust

### 4. MEMBERSHIP AND ATTENDANCE

- 4.1 **Membership** - the core membership will comprise the Board Chairman and all non-executive directors in accordance with the constitution.
- 4.2 The Director of Human Resources may attend at the discretion of the Committee Chairman.
- 4.3 The Chief Executive will attend (except when ~~his~~their own post is under discussion) and should attend when Executive Directors remuneration is discussed.
- 4.4 **Chairmanship** - the Chairman of the Committee, who shall be appointed by the Trust Board, will be one of the non-executive directors. If the Chairman of the Committee is absent from the meeting, such a non-executive director as the directors present shall choose shall preside.
- 4.5 **Quorum** - at least four non-executive directors must be present, one of whom could be the Chairman of the Trust. Members of the committee may attend via telephone conference with prior agreement from the Chairman of the Committee.
- 4.6 **Voting** - when a vote is requested, the question shall be determined by a majority of the votes of the members present for the item. In the event of an equality of votes, the person presiding shall have a second or casting vote.
- 4.7 Others including external advisers may be invited to attend meetings or parts of meetings, as deemed appropriate by the Chairman.

### 5. WORKING GROUPS

- 5.1 The Committee may set up permanent groups or time limited working groups to deal with specific issues. Precise terms of reference for these shall be determined by the Committee. However, Board Committees are not entitled to further delegate their

powers to other bodies, unless expressly authorised by the Trust Board (Standing Order 5.5 refers).

## 6. FREQUENCY OF MEETINGS

- 6.1 These will be determined by the work of the Committee, however it is expected that it will require up to four meetings per year. The likely timetable of meetings is as shown below:

Date	Purpose
End May	Sign off Executive Director performance appraisal for preceding financial year and performance objectives for current financial year. Identify personal and team development needs for the executives as individuals as team members.
July	Review salaries of Executive Directors as appropriate
Oct / Nov	Review mid-year performance of Executive Directors. Make a final decision on any appeals from Executive Directors on access to annual pay uplift Review progress against personal development plans where appropriate.
Feb	Review policies for remuneration of Executive Directors and senior managers not covered by National terms and conditions

## 7. SERVICING ARRANGEMENTS

- 7.1 The Director of Human Resource shall manage the Committee, arranging for an agenda and papers to be distributed one week prior to the meeting. A separate individual shall take minutes. These will normally be made available to the next Trust Board meeting.

## 8. REPORTING ARRANGEMENTS

- 8.1 The Chair will summarise important issues in a written report to the Board and attach the non confidential minutes.
- 8.2 The Remuneration Committee will report on an annual basis to the Trust Board on the work it has undertaken in the year.

## 9. RELATIONSHIPS WITH OTHER COMMITTEES

### 9.1 Council of Governors' Nominations and Remuneration Committee

## **910. CONFIDENTIALITY**

- 910.1** The minutes of the Committee, unless deemed confidential, shall be made available to the public, through Trust Board papers. Confidential minutes shall be maintained,

where necessary, for staff, patient or other necessary consideration of confidentiality. Matters specifically agreed to be confidential by the Committee must be treated as entirely confidential. In addition, all Committee business must be kept confidential until reported to the Board or otherwise concluded, unless the Committee agrees otherwise.

| ~~40.~~ **11. GENERAL MATTERS**

Formatted: No bullets or numbering

- | ~~40~~11.1 The Council of Governors will appoint a separate Nominations & Remuneration committee to oversee the selection, remuneration and appraisal of the non-executives and the Chair.

**EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST**  
**BOARD OF DIRECTORS**  
**NOMINATIONS COMMITTEE FOR EXECUTIVE DIRECTORS**  
**TERMS OF REFERENCE**

**1. PURPOSE OF THE COMMITTEE**

- 1.1 The Nominations Committee is a Committee of the Board and fulfils the role of the Nominations Committee ~~(for executive directors)~~ described in the Trust's constitution and the NHS Foundation Trust Code of Governance.
- 1.2 The Trust chairman and other non-executive directors and chief executive (except in the case of the appointment of a chief executive) are responsible for deciding the appointment of executive directors.
- 1.3 The appointment of a chief executive requires the approval of the Council of Governors.

**2. OBJECTIVES**

The Nominations Committee is responsible for:

- 2.1 Establishing a process to identify suitable candidates to fill executive director vacancies as they arise and making recommendations to the chairman, the other non-executive directors and Chief Executive. Recommendations in relation to the Chief Executive position will be to Non-Executive Directors only. -and except in the case of the appointment of a chief executive, the chief executive.
- 2.2 Considering nominations for executive directors and chief executive positions.
- 2.3 Annually reviewing the structure, size and composition of the board of directors and to make recommendations for change, where appropriate.
- 2.4 Evaluating the balance of skills, knowledge and experience of the board of directors and, in the light of this evaluation, preparing a description of the role and capabilities required for the appointment of executive directors and the chief executive. To make recommendations to the Council of Governors Nominations and Remuneration Committee in relation to non-executive director appointments as required.
- 2.5 Ensuring that appointments to the board of directors are based on merit and objective criteria as well as meeting the "fit and proper" persons test described in the Provider Licence.
- 2.6 Appointing a shortlisting and appointments panel for the appointment of executive directors and the chief executive.
- 2.7 Succession planning, taking into account the future challenges, risks and opportunities facing the Trust and the skills and expertise required on the Board to meet them.
- 2.8 To determine non-executive membership of Board Committees.

Formatted: Body Text, Indent: Left: 0 cm, Hanging: 1.27 cm, No bullets or numbering, Tab stops: 1.27 cm, Left + 1.9 cm, Left

**3. DELEGATED AUTHORITY**

- 3.1 Reference should be made as appropriate, to the Standing Orders and Standing Financial Instructions of the Trust.



#### 4. MEMBERSHIP AND ATTENDANCE

- 4.1 **Membership** - The committee will be comprised of the non-executive directors, chairman and chief executive (except in the case of appointment of a chief executive). The Director of Human Resources would attend as a substantive advisor to the Committee. **-Interview panel membership** will be determined by the Nominations Committee who will appoint from its members a selection panel, with the addition of the chief executive, where executive director appointments are being made. It may invite others as suitably qualified advisors as it sees fit.
- 4.2 **Chairmanship** - the chairman of the committee will be the Trust chairman or ~~nominated~~ non-executive director as determined by the Committee.
- 4.3 **Quorum** - will be 4 non-executive directors ~~including the Trust chairman~~. Members of the committee may attend via telephone conference with prior agreement from the chairman of the committee.
- 4.4 **Voting** - when a vote is requested, the question shall be determined by a majority of the votes of the members present. In the event of an equality of votes, the person presiding shall have a second or casting vote. Advisors to appointment panels do not have a vote.

#### 5. WORKING GROUPS

- 5.1 The committee may set up permanent groups or time limited working groups to deal with specific issues. Precise terms of reference for these shall be determined by the committee. However, Board Committees are not entitled to further delegate their powers to other bodies, unless expressly authorised by the Trust Board (Standing Order 5.5 refers).

#### 6. FREQUENCY OF MEETINGS

- 6.1 Meetings will be called as required by the Board of Directors.

#### 7. SERVICING ARRANGEMENTS

- 7.1 The ~~Head of~~ Director of Human Resources, or appropriate deputy, shall provide advice to the committee as required. Papers will be circulated as deemed appropriate by the chair of the committee.

#### 8. REPORTING ARRANGEMENTS

- 8.1 The chair will summarise important issues in a written report to the Board of Directors and attach the non confidential minutes.
- 8.2 The Nominations Committee will report on an annual basis to the Board of Directors on the work it has undertaken in the year and describe its work in the Annual Report.

#### 9. RELATIONSHIPS WITH OTHER COMMITTEES

- 9.1 Council of Governors' Nominations and Remuneration Committee

#### 910. CONFIDENTIALITY

**910.1** The minutes of the Committee, unless deemed confidential, shall be made available to the public, through Trust Board papers. Confidential minutes shall be maintained, where necessary, for staff, patient or other necessary consideration of confidentiality. Matters specifically agreed to be confidential by the Committee must be treated as entirely confidential. In addition, all Committee business must be kept confidential until reported to the Board or otherwise concluded, unless the Committee agrees otherwise.

**~~4011~~. GENERAL MATTERS**

**~~4011~~.1** The Council of Governors will appoint a separate Remuneration & Nominations committee to oversee the selection, remuneration and appraisal of the non-executives and the chair.

**11.2** The Committee will make available its terms of reference explaining clearly its role and the authority delegated to it by the Board.