

Remuneration Committee

Terms of Reference

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Terms of Reference for the Remuneration Committee

A. Overall aim or purpose:

The Board hereby resolves to establish a Committee of the Board to be known as the Remuneration Committee. The overall and prime aim of the Remuneration Committee is:

To decide appropriate remuneration and terms of service for the Chief Executive and Executive Directors including all aspects of salary, provision for other benefits including pensions and cars, arrangements for termination of employment including redundancy and other contractual terms.

The Committee also has a key role in:

Reviewing pay, terms and conditions for the most senior staff below executive director level

The applicability of any national agreements for staff on local terms and conditions or pay arrangements that are not determined nationally

Receiving information on the outcome of Clinical Excellence Awards Rounds and any new proposals

Reviewing and approving all redundancy business cases and any proposed payments to staff that do not fall within contractual entitlements e.g. settlement agreements.

Reviewing Trust strategies and proposals around pay and reward including Foundation Trust freedoms, flexibilities and options.

A1 The level and components of remuneration:

Main principle

Levels of remuneration should be sufficient to attract, retain and motivate directors of quality, and with the skills and experience required to lead the NHS foundation trust successfully, but an NHS foundation trust should avoid paying more than is necessary for this purpose and should consider all relevant and current directions relating to contractual benefits such as pay and redundancy entitlements.

B. Key objectives:

The Remuneration Committee's key objectives are to:

- Determine the remuneration and terms of service of Directors and the Chief Executive to ensure they are fairly rewarded for their individual contribution to the Trust having proper regard to the Trust's circumstances and performance and to the provisions of any national agreements for such staff where appropriate. The Committee will report to the Board the decisions taken at the Committee
- Agree contractual arrangements for such staff and to approve and have oversight of the proper calculation and scrutiny of payments including those

upon termination of employment with the Trust taking into account guidelines issued by the Department of Health and the Treasury, as appropriate

- Approved payments and strategies linked to its other roles including redundancy payments, non-contractual settlements and pay and reward proposals.

B1 Supporting principles

B1.1 Any performance-related elements of executive directors' remuneration should be stretching and designed to promote the long-term sustainability of the NHS foundation trust. They should also take as a baseline for performance any competencies required and specified within the job description for the post.

B1.2 The remuneration committee should decide if a proportion of executive director's remuneration should be structured so as to link reward to corporate and individual performance. The remuneration committee should judge where to position its NHS foundation trust relative to other NHS foundation trusts and comparable organisations. Such comparisons should be used with caution to avoid any risk of an increase in remuneration levels with no corresponding improvement in performance.

B1.3 The remuneration committee should also be sensitive to pay and employment conditions elsewhere in the NHS foundation trust, especially when determining annual salary increases.

Attached at Appendix 1 are the Monitor Code provisions on performance related schemes, increases in basic salary, release of a director to service elsewhere and compensation commitment considerations in the event of early termination.

C. Specific areas of responsibility:

The Remuneration Committee's significant role is to ensure that the Chief Executive and Executive Directors are appropriately remunerated and employed upon appropriate terms and conditions of service.

C1 Main principle

C1.1 There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.

Supporting principle

C1.2 The remuneration committee should consult the chairperson and/or chief executive about its proposals relating to the remuneration of other executive directors.

C1.3 The remuneration committee should also be responsible for appointing any independent consultants in respect of executive director remuneration.

C1.4 Where executive directors or senior management are involved in advising or supporting the remuneration committee, care should be taken to recognise and avoid conflicts of interest.

The Remuneration Committee will:

- Advise the Board about appropriate remuneration and terms of service for the Chief Executive and Directors
- Advise the Board on all aspects of salary including; annual pay uplifts, and any performance related elements and bonuses
- Advise the Board about provisions for other benefits including pensions and cars
- Advise on appropriate contractual arrangements for such staff including the proper calculation and scrutiny of termination payments taking account of such national guidance as is appropriate.
- Have delegated responsibility for setting remuneration for all executive directors, including pension rights and any compensation payments. The committee should also recommend and monitor the level and structure of remuneration for senior management. The definition of senior management for this purpose should be determined by the Board, but should normally include the first layer of management below board level.
- Will make available its terms of reference, explaining its role and the authority delegated to it by the board of directors.

The Committee will have the power to make recommendations to the Board regarding relevant matters.

It will have the power to include other parties, not members of the Committee, in order to address specific issues.

The Remuneration Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of external individuals with relevant experience and expertise if it considers this necessary in furtherance of its duties. Where remuneration consultants are appointed, a statement should be made available through the annual report as to whether they have any other connection with the NHS Foundation Trust.

The Committee will request and receive relevant minutes and reports where appropriate.

D. Chair:

The Remuneration Committee shall be chaired by the Trust Chair and in his/her absence, by the Deputy Chair.

E. Membership

The Remuneration Committee shall be appointed by the Board from amongst the Non Executive Directors of the Trust and shall consist of not less than three members, including the Chair.

The Trust's Chief Executive and any other appropriate Director will attend by invitation to provide appropriate advice.

Other advisers may be invited to attend if necessary, in particular with regard to the Chief Executive.

F. Accountable to:

The Remuneration Committee is accountable to the Board from whom it has delegated authority for decision making for those areas within its remit. The minutes of the Committee meetings shall be formally recorded and submitted to the private section of the Board. The Board Committee report will include a submission from the Remuneration Committee reflecting the items that were discussed.

G. Accountable for:

There are no formal lines of accountability between the Remuneration Committee and other Trust Committees. The Remuneration Committee interacts with other Trust Committees through cross attendance.

H. Roles

Minutes and administration of the meetings is undertaken through the Corporate Governance Team office.

I. Frequency of Meetings:

Meetings will be held at least once a year. The Trust Chair may request a meeting if they consider that one is necessary.

J. Frequency of Attendance:

All Committee members will be expected to attend at least one meeting a year.

K. Quorum:

A quorum shall be two Non-Executive Directors – one of whom must be the Chair (or Deputy Chair).

L. Record Keeping:

Archives of minutes and papers relating to the Remuneration Committee are maintained by the Corporate Governance Team.

M. Lifespan of meeting:

The Remuneration Committee is a standing committee of the Trust Board. It will continue to meet in accordance with these Terms of Reference until the Trust Board determines otherwise.

N. Other matters: attendance

The Chief Executive, Director of Human Resources and Organisation Development and other Directors or members of staff will be invited to attend where appropriate. The Committee may choose to invite external organisations and individuals to present issues and reports from time to time.

O. Terms of Reference review

The Remuneration Committee will review its Terms of Reference at least annually.

Code Provisions on Performance related schemes and other payments

- Any performance-related elements of the remuneration of executive directors should be designed to align their interests with those of patients, service users and taxpayers and to give these directors keen incentives to perform at the highest levels. In designing schemes of performance-related remuneration, the remuneration committee should consider the following provisions:
 - i) The remuneration committee should consider whether the directors should be eligible for annual bonuses in line with local procedures. If so, performance conditions should be relevant, stretching and designed to match the long-term interests of the public and patients.
 - ii) Payouts or grants under all incentive schemes should be subject to challenging performance criteria reflecting the objectives of the NHS foundation trust. Consideration should be given to criteria which reflect the performance of the NHS foundation trust relative to a group of comparator trusts in key indicators, and the taking of independent and expert advice where appropriate.
 - iii) Performance criteria and any upper limits for annual bonuses and incentive schemes should be set and disclosed.
 - iv) The remuneration committee should consider the pension consequences and associated costs to the NHS foundation trust of basic salary increases and any other changes in pensionable remuneration, especially for directors close to retirement.

- Where an NHS foundation trust releases an executive director, for example to serve as a non-executive director elsewhere, the remuneration disclosures of the annual report should include a statement of whether or not the director will retain such earnings.

- The remuneration committee should carefully consider what compensation commitments (including pension contributions and all other elements) their directors' terms of appointments would give rise to in the event of early termination. The aim should be to avoid rewarding poor performance. Contracts should allow for compensation to be reduced to reflect 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 the period of any putative notice.