

30<sup>th</sup> April 2015  
Item No 8(a)

## Council of Governors: Summary Sheet

**Title of Paper:** Board Succession Planning – to approve an increase in tenure of terms of office and a succession plan to ensure board stability

**Presented By:** Professor Alan Walker, Chair

**Action Required:**

For Information	<input type="checkbox"/>	For Ratification	<input type="checkbox"/>	For a decision	<input checked="" type="checkbox"/>
For Feedback	<input type="checkbox"/>	Vote required	<input type="checkbox"/>	For Receipt	<input type="checkbox"/>

To which duty does this refer?

Holding non-executive directors individually and collectively to account for the performance of the Board	
Appointment, removal and deciding the terms of office of the Chair and non-executive directors	x
Determining the remuneration of the Chair and non-executive directors	
Appointing or removing the trust’s auditor	
Approving or not the appointment of the trust’s chief executive	
Receiving the annual report and accounts and auditor’s report	
Representing the interests of members and the public	
Approving or not increases to non-NHS income of more than 5% of total income	
Approving or not acquisitions, mergers, separations and dissolutions	
Jointly approving changes to the trust’s constitution with the Board	
Expressing a view on the Trust’s forward plans	
Consideration on the use of income from the provision of goods and services from sources other than the NHS in England	
Monitoring the activities of the Trust to ensure that they are being conducted in a manner consistent with its terms of authorisation and the constitution.	
Monitoring the Trust’s performance against its targets and strategic aims	

**How does this item support the functioning of the Council of Governors?**

It is the Council’s responsibility to appoint Non-Executive directors and to ensure sufficient consideration is given to success planning of the Board

**Author of Report:** Sam Stoddart

**Designation of Author:** Deputy Board Secretary

**Date:** 15<sup>th</sup> April 2015

**SUMMARY REPORT**

**Report to:** Council of Governors  
**Date:** 30<sup>th</sup> April 2015  
**Subject:** Board succession planning  
**From:** Sam Stoddart, Deputy Board Secretary

**1. Purpose**

<i>For Approval</i>	<i>For a collective decision</i>	<i>To report progress</i>	<i>To seek input from</i>	<i>For information</i>	<i>Other (please state below)</i>
✓					
<ul style="list-style-type: none"> <li>• To agree the proposal to increase the terms of office for NED appointments</li> <li>• To agree the preferred option for Board succession planning.</li> <li>• To agree the proposal to a short term extension of the local authority non-executive director</li> <li>• To agree the additional desirable skills required of future NED appointments</li> </ul>					

**2. Summary**

The Nomination & Remuneration Committee (the “Committee”) met on 30<sup>th</sup> March and considered and debated the following issues:

- (a) Board succession planning - options for staggering Non-Executive Director (NED) appointments;
- (b) Amending the terms of office of future NED appointment from three to four years;
- (c) Status/continuity of the Local Authority NED; and
- (d) Skills required of future NEDs

Prior to the Committee, these issues had also been discussed and debated at the Board of Directors meeting on 3<sup>rd</sup> March 2015 and the Board’s views were incorporated into the discussion.

**(a) & (b) Board Succession Planning & Amending the NED Tenure**

In 2009, a year after authorisation as a foundation trust, three non-executive board appointments were made. These all commenced on the same date and had three-year terms. All three appointments were renewed for a further 3 years in 2012 and all three terms will end in November 2015.

Additionally, the Local Authority non-executive director position should have been newly appointed to in 2014, but because of uncertainty over the Trust’s Section 75 agreement with the city council, the Council of Governors approved a six month extension of the current incumbent. Since that decision, the city council has indicated its intention to extend the Section 75 agreement for a further 12 months’ ending 31<sup>st</sup> March 2016.

The outcome of this is that there are now four non-executive appointments due in 2015. An additional factor has been the resignation of the Executive Director of Finance with effect from 20<sup>th</sup>

March 2015. An acting appointment has been made for a six month period, but in all this has resulted in the potential change of five of the 11 positions on the Board in a 12 month period. This is illustrated in the current Board appointment schedule for the next six years shown below.

**Current NED Recruitment Schedule**

2015	2016	2017	2018	2019	2020
NED (Local Authority) NED NED NED (Finance Director)	Chair	NED (finance)	NED (Local Authority) NED NED NED	Chair	NED (finance)

In the interests of board stability and continuity, the Committee was asked to consider options for staggering appointments to reduce the level of board disruption both this year and in future years and to maintain the appropriate levels of knowledge and organisational memory. In doing so, the Committee was reminded of the guidance within Section B.7.1 of the Foundation Trust Code of Governance which states:

“NEDs can serve longer than six years, but should be subject to annual re-appointment. Serving more than six years could be relevant to the determination of a non-executive’s independence.” However, the Code is guidance only and Trusts can deviate from this so long as they explain their reasons for this in the annual report. In light of this, the Committee were asked to note that the NHS Trust Development Authority (NTDA) which provides support, oversight and governance for all non-FTs and is the body responsible for the appointment of NEDs to non-FTs, advocates a four-year term with the option of renewing for a further four years plus an additional year (a possible nine in total). A brief internet search identified four NHS Foundation Trusts with four year terms for their NEDs. These were Kettering General Hospital NHS FT, Liverpool Heart and Chest Hospital NHS FT, Sheffield Teaching Hospitals NHS FT and Salisbury NHS Foundation Trust. Therefore, whilst the Code of Governance advocates three year terms, NHS Trusts are deviating from the guidance and adopting four year terms in the interests of stability, NED skills and maximising organisational memory.

The Committee considered and debated this and in particular, how assurance could be sought by the Council of Governors on the continuing independence of NEDs through rigorous annual appraisal and the continued ongoing scrutiny of NED performance by governors through current mechanisms. They agreed by a majority that it was in the interests of the Trust to propose to the Council of Governors to extend the NED tenures to four years.

In light of this decision, the Committee then discussed a number of appointment options and the pros and cons of each. They concluded that the best option would be for two of the three positions ending in November 2015 to be extended by one year then the next three NED appointments to be staggered, ie one appointment to be made in 2015 for three years, two NED appointments in 2016 also for 3 years and one for 4 years after which all appointments would be for four years. This would enable the most consistent approach to appointments over the coming years eliminating the recurrent ‘bottleneck’ which will exist if the status quo remains. The table below shows how this could work.

2015	2016	2017	2018	2019	2020	2021	2022
NED (3 yr) LA NED (1 yr) 2 x NED 1 yr ext	NED (3 yr) NED (3 yr) NED (LA) (4 yr) Chair (4 yr)	NED (finance) 4 yr	NED	NED NED	Chair NED	NED (finance)	NED

**Action: Council to vote on proposal to extend NED tenure from 3 to 4 years**

**Action: Council to agree to succession plan to provide a one year extension to two current NEDS and stagger tenures in 2015 and 2016 after which all appointments will be for four years**

**(c) Status/continuity of the Local Authority NED**

The Committee discussed the position of the Local Authority NED and discussed possible options in light of the Local Authority's one year extension of the agreement. After much debate the Committee agreed that the best option is to propose to Council to:

- I. Provide a 3 month extension to the current incumbent in order to allow (iii) below to take place;
- II. Make a one year appointment from 1<sup>st</sup> August 2015 to 31<sup>st</sup> July 2016;
- III. Seek nominations from the Local Authority for the position as per the Trust's constitution following which the candidate(s) is to be interviewed by Committee members to determine their suitability for the position.

**Action: Council to agree on further 3 month extension to Cllr Mick Rooney to 31<sup>st</sup> July 2015**

**Action: Council to agree a one year appointment with effect from 1<sup>st</sup> August 2015**

**(d) The Skills Required of Future NEDs**

It is a requirement of the Code (B.2.7) that "when considering the appointment of non-executive directors, the council of governors should take into account the views of the board of directors and the nominations committee on the qualifications, skills and experience required for each position and (B.2.1) "the nominations committee should give full consideration to succession planning, taking into account the future challenges, risks and opportunities facing the NHS foundation trust and the skills and expertise required within the board of directors to meet them."

The Board considered the skills required at its meeting on 4<sup>th</sup> March. They agreed that in line with the Trust's Service User Involvement Policy, it would be beneficial to identify a NED with service user experience. In addition, seeking NEDs with a clinical background would also be beneficial. It was suggested that these should be included in the 'desirable criteria' of the person specification. The Committee discussed this and agreed with the Board, but added that desirable criteria should not be limited to service users but extended to carers also. They agreed to include a clinical background as desirable criteria.

**Action: Council to approve the desirable skills of a service user/carers background and a clinical background.**

**3. Next Steps**

The Council of Governors is asked to consider the contents of this paper and make the following decisions:

- I. To agree the proposal to increase the terms of office for NED appointments
- II. To agree the preferred option for Board succession planning.
- III. To agree the proposal to a short term extension of the local authority non-executive director
- IV. To agree the additional desirable skills required of future NED appointments

**4. Required Actions**

Following agreement of the Committee's proposals, the recruitment process will begin.

**5. Monitoring Arrangements**

Council will be updated on progress at its July meeting and will be required to agree the two NED appointments at its October meeting.

**6. Contact Details**

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