



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

## Council of Governors: Summary Sheet

**Title of Paper:**

**Presented By:**

**Action Required:**

<input type="checkbox"/> For Information	<input type="checkbox"/> For Ratification	<input checked="" type="checkbox"/> For a decision	<input type="checkbox"/>
<input 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?**

The Code of Governance states there should be a formal, rigorous and transparent process for the appointment of non-executive directors. This paper details that process for Council approval.

**Author of Report:**

**Designation of Author:**

**Date:**

## SUMMARY REPORT

**Report to:** Council of Governors  
**Date:** 30<sup>th</sup> April 2015  
**Subject:** Non-Executive Director Terms and Condition of Appointment  
**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>
✓					To note
<ul style="list-style-type: none"> <li>To note the process to be adopted to identify two of three non-executive directors to have one year extensions to their terms of office.</li> <li>To approve the Nomination &amp; Remuneration Committee’s proposal for the appointment process for a non-executive director</li> <li>To approve the Nomination &amp; Remuneration Committee’s proposal for the recruitment process for one non-executive director</li> </ul>					

### 2. Summary

At its meeting on 30<sup>th</sup> March, the Nomination & Remuneration Committee (NRC) considered board succession planning in light of the high number of positions that will be subject to appointment over the coming years. It also considered a transparent and equitable process of appointment as well as the most cost effective process for recruitment.

- (a) The Committee agreed that to support better board succession planning and as part of an overall preferred option, to propose to Council to approve a one-year extension to two of the three Non-Executive Directors whose terms of office ends on 30<sup>th</sup> November 2015. The Committee agreed that the most transparent and fair way of identifying the NEDs whose terms are to be extended would be through interview. The responsibility for undertaking NED interviews is delegated to the Nomination and Remuneration Committee by the Council of Governors. Therefore, if the proposal is agreed by Council, it will be the delegated responsibility of the NRC to identify the individuals and offer the one-year extension. Council are asked to note the process to be adopted.
- (b) Monitor’s Code of Governance for NHS Foundation Trusts states that: “There should be a formal, rigorous and transparent procedure for the appointment or election of new members to the boards of directors.” The appointment must be awarded on merit and based on objective criteria and the process undertaken must be described in the Trust’s annual report.

At the Nomination & Remuneration Committee (NRC) on 30<sup>th</sup> March, the Code of Governance and recent good practice guidance produced by NHS Providers was considered. Since its authorisation the Trust has taken the view that both board members

and governors should be able to contribute to the process and has adopted a two-tier appointment process to achieve this. This has taken the form of what has been described as an 'informal' session with board and council members where candidates have rotated around a number of different groups where they have been questioned. A number of approaches have been used to identify questions for the sessions but in each, clear guidance has been given to groups on how and what to feedback and in many cases, the questions to ask. The aim of the feedback has been to inform panel members in their questioning at interview.

Whilst this process has enabled involvement, it has failed to engage all governors. Governor numbers attending these sessions is variable, but never high. There is often better engagement by board members in this process but this too has been variable over the years.

In addition, despite giving clear guidance on what is being assessed and how to feedback, groups have failed to be consistent in following instructions which has meant that the process is not being fairly applied which is counter to the Trust's own recruitment and selection policy which makes clear the need to have a fair and transparent process for each candidate. The new good practice guidance identified this approach as 'highly subjective' as it is difficult to use as a criterion-based assessment.

It was therefore necessary for the NRC to consider a fairer and more equitable approach to NED appointments which fulfils the important need to enable governors and board members in contributing to the process.

Making reference to the new good practice guidance, the NRC considered a number of approaches and after debate and discussion agreed that the most effective way forward which would enable governors and board members to participate in the process would be to replace the 'informal' group interviews with one stakeholder presentation for each candidate.

This will take the form of each candidate being provided with a topic or question on which they must give a short presentation. Board and Council members can then question candidates freely. Members of the Nomination and Remuneration Committee will observe the process in the role of assessors for which they will receive formal training. The NRC will have agreed beforehand the competencies they will be assessing which will be based on the job description and person specification. This will ensure uniformity for each candidate and through the questioning of board and council members based on their knowledge of the Trust and its service and their personal expertise and experiences, NRC assessors will be able to assess candidates' responses to questions in the context of the competencies required of the post. The information this session elicits will then inform the interview itself.

- (c) Thirdly, the NRC considered the recruitment process. It was acknowledged that the positions need to elicit the interest of candidates of a sufficient calibre. However, the NRC also debated the cost associated with NED recruitment. They agreed that a process needed to take place which would result in a positive outcome, but which was mindful of costs and did not incur them unnecessarily whilst acknowledging the level of appointment being made may ultimately require a healthy budget to ensure suitable outcomes.

It was therefore agreed to take a three phase approach to recruitment.

- Phase I:** Human Resources to initiate their standard recruitment process where all vacant roles within the Trust are advertised on NHS Jobs and communicated to staff via the publication of the weekly vacancy bulletin. This meets the needs of hiring managers for most occupational groups in most instances. The NED roles will be advertised on NHS jobs and the application process will be tailored to allow for the submission of CV's rather than requesting the standard application form be completed. In addition networks including LinkedIn, NHS Employers Executive Jobs and the Chamber of Commerce will be utilised. Board members and governors will also be asked to link in to their own networks to identify potential candidates.
- Phase II:** If phase I does not result in a sufficient number of suitable candidates, an advert will be placed in a suitable publication such as the Yorkshire Post or similar.
- Phase III:** If phases I and II do not result in a sufficient number of suitable candidates, a recruitment company such as Odgers Berndtson will be enlisted to identify candidates (as has been used previously).

### **3. Next Steps**

Upon approval by the Council of Governors, the appointment process will begin in May 2015. The Council and Board members will be informed of the date of the stakeholder event as soon as is possible.

### **4. Required Actions**

The Council of Governors is asked to:

- a) To note the process to be adopted by the Committee in identifying two non-executive directors to be offered one year extensions to their appointments;
- b) To approve the Nomination & Remuneration Committee's proposal for the appointment process for two non-executive directors;
- c) To approve the Nomination & Remuneration Committee's three-phase proposal for the recruitment process for two non-executive directors.

### **5. Monitoring Arrangements**

NRC members will inform the Council of progress of the recruitment at its July meeting. The process itself will be subject to public scrutiny through the annual report and publication of Council minutes.

### **6. Contact Details**

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