

## Council of Governors: Summary Sheet

**Title of Paper:**

Report from the Nomination & Remuneration Committee

**Presented By:**

Jayne Brown OBE, Trust Chair

**Action Required:**

For Information

For Ratification

For a decision

x

For Feedback

Vote required

For Receipt

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?

One of the Council's statutory duties is to appointment and/or remove Non-Executive Directors and determine their remuneration levels. By making a decision based on NRC's recommendations the Council will be fulfilling on of its statutory duties.

**Author of Report:**

Sam Stoddart

**Designation of Author:**

Deputy Board Secretary

**Date:**

15 December 2016

## SUMMARY REPORT

24/11/16  
Item 6

**Report to:** Council of Governors  
**Date:** 24 November 2016  
**Subject:** Succession Planning & Remuneration - Non-Executive Directors  
**From:** Margaret Saunders, Director of Corporate Governance (Board Secretary)

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### 1. Purpose

To review the succession planning for Non-Executive Directors (NEDs) including reviewing terms of office for a number of current NEDs.

### 2. Summary

#### 2.1 Background

The issue of succession planning for NEDs has been discussed over a period of time at both the Nomination & Remuneration Committee (NRC) and the Council of Governors. It was agreed at the last Council meeting, in addition to extending the terms of office of Sue Rogers and Mervyn Thomas for one year in the interests of board continuity, that NRC would develop a suitable succession plan and present its recommendation to Council in November 2016.

NRC met on 11<sup>th</sup> November and debated a succession plan that would enable the Board to retain organisation memory, maintain skills and as well as providing necessary refresh in a measured and methodical way.

#### 2.2 Options for Board Succession Planning

As 2017 sees the end of term for four NEDs, consideration is required regarding the timescales for appointment to maintain the skills and knowledge to ensure a resilient and future proof Board by. In order to achieve this, NRC debated and agreed to recommend to Council the following:

- a) Providing a 1 year and 1 month extension for Ann Stanley making her first term four years and a month with an end date aligned with the end date of Richard Mills (30/11/2018).
- b) Align Cllr Bramall's end date with Richard Mills which brings his term of office almost to its original end date.

NRC then debated a proposed cycle of appointments as follows (see appendix A):

- (2017) First year: 2 appointments
- (2018) Second year: 3 appointments
- (2019) Third year: no appointments
- (2020) Fourth year: 1 appointment (chair)

By a majority NRC agreed that the above cycle would be an acceptable way forward and would allow for both continuity and necessary refresh, but also would provide the Council of Governors with one year in four off from the process which was acknowledged as time consuming and very involved not only for NRC members, but for governors too.

## **2.3 Remuneration**

In 2009 the Council of Governors (CoG) first undertook its statutory duty to appoint non-executive directors (NEDs) to the Board, setting remuneration levels for NEDs at £12,000 p/a with a £2,000 uplift for the Senior Independent Director.

This has been reviewed from time to time by the Nomination & Remuneration Committee (NRC) by comparing with other similar Trusts using NHS Providers' benchmarking data, the last time being June 2014. No change to remuneration was recommended to CoG by NRC at that time.

At its meeting of 20<sup>th</sup> July 2016, NRC agreed that remuneration should be reviewed again, but in conjunction with a review of the time commitment required for the post which was felt exceeded the 3 days' per month (minimum) stipulated in NED terms and conditions.

At its meeting of 11<sup>th</sup> November, NRC discussed benchmarking data produced by NHS Providers and compared SHSC with similar Trusts. This showed that remuneration levels ranged from £6,157 to £16,522k per annum. The average remuneration across all Trusts in the group is £12,688 with a median of £12,550. Much debate took place regarding remuneration levels and attracting a high calibre of people to apply for NED positions, but NRC also discussed the need for parity between NEDs and staff who have received cost of living uplifts since 2009 and with this in mind agreed that a sum of £12,688 would be in line with uplifts and should be recommended to Council for its approval. If approved these would become effective for all NEDs from 1<sup>st</sup> December 2016.

## **2.4 Time Commitment**

NRC discussed the importance of providing a realistic idea of the number of days NEDs are required to undertake for the role. National benchmarking shows the average as 4.1 days per month. NRC acknowledged that identifying the number of days was an inexact science and that people who undertook the roles accepted that the advertised number of days was guidance only.

## **2.5 Uplifts for Specific Roles**

NRC considered and debated the uplifts that are given to specific NED roles in the majority of other similar Trusts in acknowledgement of the additional duties that are required. The primary roles where uplifts are given are those of Vice Chair, Senior Independent Director (SID) and Audit Committee Chair.

Since its authorisation SHSC has only uplifted the SID role by £2k per annum. Based on the benchmarking data, NRC debated and agreed to recommend to CoG that both the Vice Chair (Sue Rogers) and Audit Committee Chair (Ann Stanley) should also receive a £2k uplift. If agreed by CoG these would become effective from 1<sup>st</sup> December 2016.

### **3. Required Actions**

CoG is asked to approve the following recommendations:

- (a) To extend the term of office of Ann Stanley by 1 year and 1 month (ending 30/11/18).
- (b) To extend the term of office of Cllr Leigh Bramall by 1 year and 1 month (ending 30/11/18).
- (c) Approve an inflationary uplift of £688 per NED taking their remuneration to £12,688 effective (DATE TO BE CONFIRMED).
- (d) Agree to a £2k per annual uplift for the Vice Chair and Audit Committee Chair NEDs effective (DATE TO BE CONFIRMED).

### **4. Next Steps**

If approved, all NEDs will be notified of these changes and appropriate steps will be taken with Human Resources to enact them.

### **5. Monitoring Arrangements**

All NED appointments and remuneration are monitored on behalf of CoG by NRC and will be done so annually.

### **6. Contact Details**

Margaret Saunders  
Director of Corporate Governance (Board Secretary)

# Non-Executive Director Board Succession Plan

(dates show appointment start dates)

	Chair	LA NED	NED Finance	NED 1	NED 2 (SID)	NED 3 (VICE)
2015				1.12.15		
2016	1.7.16	04.01.16			1.12.16	1.12.16
2017		31.10.17	1.11.17		1.12.17	1.12.17
2018		1.12.18	1.12.18	1.12.18		
2019						
2020	1.7.20					
2021					1.12.21	1.12.21
2022		1.12.22	1.12.22	1.12.22		
2023						
2024	1.7.24					
2025					1.12.25	1.12.25
2026		1.12.26	1.12.26	1.12.26		
2027						