

**MINUTES OF A MEETING OF THE REMUNERATION COMMITTEE HELD ON MONDAY
25 MARCH 2013 AT 1.00pm AT 4 MATTHEW PARKER STREET, LONDON SW1H 9NP**

Present:

Stephen Thornton, Deputy Chairman (Chair)
Heather Lawrence, Non Executive Director
Keith Palmer, Non Executive Director

In attendance:

David Bennett, Chief Executive
Philippa Harding, Board Secretary
Stephen Hay (from agenda item 6)
Janet Polson, Director of Human Resources and Corporate Services

1. Welcome and apologies

1.1 No apologies were received.

2. Declarations of interest

2.1 No interests were declared.

3. Minutes and matters arising from the meetings held on:

- **11 October 2013 (RC/13/01(i))**
- **30 November 2013 (RC/13/01(ii))**

3.1 The minutes were considered. There were no matters arising.

3.2 It was noted that the potential redundancy situation discussed at the last meeting of the Remuneration Committee had not materialised; therefore a redundancy payment had not been required.

4. Terms of Reference and Forward Agenda Planning

4.1 Philippa Harding introduced the report which presented the amended Terms of Reference of the Remuneration Committee. The Terms of Reference of all Board committees had been reviewed and updated in October 2012, as part of the work that was undertaken on Monitor's new governance framework. Remuneration Committee members noted that it was good practice to review the Terms of Reference every year.

4.2 It was proposed that the Terms of Reference of the Committee should be amended to reflect the Committee's role in the recruitment and retention of a high performing workforce at Monitor.

ACTION: PH

RESOLVED:

4.3 The Remuneration Committee resolved that, subject to the comments above, the Terms of Reference of the Committee should be adopted.

5. Use of the Very Senior Manager's Pay Framework

5.1 Janet Polson provided the Remuneration Committee with details of the work undertaken on the market pay benchmarking of Executive Director posts at Monitor. It was noted that, whilst the salary levels within the Very Senior Manager's (VSM) Pay Framework were consistent with those of other Department of Health (DH) Arms Length Bodies (ALBs), they were not intended to enable organisations to compete with the private sector or other "provider" organisations in the NHS, something which Monitor did. In order to address the issue of market alignment, the VSM Pay Framework did allow for flexibilities, provided there was evidence that market pressures would otherwise prevent Monitor from being able to recruit and retain staff. However, should Monitor wish to implement alternative pay arrangements for its senior staff it would be required to apply to the DH remuneration committee for approval of this approach.

5.2 Remuneration Committee members considered the longer term implications of the VSM Pay Framework for Monitor. It was proposed that further negotiations should take place with the Director General, Strategy, Finance and NHS at DH with regard to the possibility of establishing a number of flexibilities in Monitor's adoption of the Framework.

ACTION: DB

6. Monitor's Future Pay Strategy

6.1 The Remuneration Committee considered the report which set out recommendations on the future approach to be taken in relation to pay and performance at Monitor.

6.2 The Committee discussed the proposal that each role at Monitor should have a "rate for the job", together with the flexibility to recognise different stages of competence. This included a development stage, a competent stage and a personal contribution/strong performer stage. The importance of having a strong performance management system to underpin such a system was emphasised. The proposed use of consolidated and non-consolidated awards for different aspects of high performing behaviour was considered in detail, together with how this approach might be implemented.

6.3 It was noted that the paper had not provided the Committee with information about the affordability of the proposed pay strategy. Remuneration Committee members raised a number of questions about this, the manner in which the scheme was due to be implemented and the need for clarity with regard to the use of consolidated and non-consolidated pay awards. Further information was requested, for submission to an additional Remuneration Committee meeting in the summer.

ACTION: PH

6.4 Remuneration Committee members noted the "offer" that Monitor could provide to its employees. Whilst there were career progression prospects in some part of the

organisation, this was not the case everywhere. It was proposed that the pay strategy should reflect the fact that, whilst Monitor could offer highly challenging and rewarding work, career development opportunities were more limited than in other larger organisations.

7. Approach to pay awards for eligible staff – 2013/14

7.1 Janet Polson introduced the report which set out possible approaches to Monitor's staff pay award for 2013/14. The approaches had been developed in light of the end of the two year pay freeze and the provision of a 1% cap on average pay uplifts.

7.2 Remuneration Committee members were content with the proposal that a consolidated payment of 1% of Monitor's pay bill should be made to all eligible members of staff (those in post on 1 December 2012). The Committee considered that it would not be appropriate for Monitor at this point to seek to establish an element of its pay bill for non-consolidated performance-related pay.

8. Any Other Business

8.1 The Remuneration Committee approved a tabled business case relating to the application of a recruitment and retention premium under the VSM Pay Framework.

Close