

To: The Board

For meeting on: 26 November 2014

Agenda item: 11

Report by: Iain Osborne, Remuneration Committee Chair

Report on: Report of the Remuneration Committee meeting on 30 October 2014

Background

1. The Chair of Remuneration Committee is required to report on its work to the Board after every meeting of the Committee. This report highlights the key issues considered by the Committee. The minutes of the meeting are attached as the annex to this report.

Issues

Reward Priorities

1. The Committee was provided with an update on the reward programme of work currently being undertaken. The aim of the reward programme of work is to re-establish and refresh where necessary the four core components of Monitor's approach to reward and create an annual cycle of 'business as usual' activity. It relates to both Very Senior Manager (VSM) and non-VSM reward for the remainder of the financial year.
2. The components of this approach are, with information about what the Committee considered in relation to each are set out below:
 - a) Reward philosophy
3. Monitor's reward principles have been articulated as:
 - Attracts, motivates and retains employees who are committed to making a difference for patients
 - Forms part of the employee value proposition
 - Supports equal pay as part of our commitment to valuing diversity;
 - Understandable and fair approach to reward; and
 - Affordable, and market-aligned where appropriate.

4. The Committee agreed to add a further principle: recognises outstanding contribution linked to our values.

b) Grade structure

5. The Committee was informed about plans to cluster job roles into broad families. Work is also planned to create and align potential new salary grades against market salary data; this should allow Monitor to address differentials between pay grades and provide a consistent set of pay progression principles. The Committee will have an opportunity to comment on this work at the beginning of 2015.

c) Pay frameworks

6. Work is being undertaken to explore the possibility of pay for performance (PFP). Monitor has more flexibility in relation to non VSM members of staff than for VSMs. In light of the sums involved, the potential divisiveness and the call for leaders to show pay restraint, the Remuneration Committee considered that it would not be appropriate for any individual PFP awards to be made to VSMs. On the question of PFP for non VSM members of staff, the Committee was informed that work was being undertaken with the Department of Health and HM Treasury to investigate the possibility of a non-consolidated pay fund using the underspend from the existing annual pay uplift budget. The Committee also considered the manner in which Monitor's recognition scheme might change.

d) Pay management

7. The Committee was informed about work on the principles and process for the annual pay uplift, a pay protection policy and how the organisation would manage pay disparities.

Senior Salaries Review Body work in relation to Very Senior Managers

8. The Committee received an oral update on the work of the Senior Salaries Review Body (SSRB) in relation to the VSM pay framework.
9. The 2012 VSM pay framework was designed specifically for determining VSM pay in Department of Health (DH) Arms Length Bodies (ALBs). The framework was developed with specialist technical input from Price Waterhouse Coopers and in partnership with the ALBs. However, DH believes it is now necessary to conduct a review of the framework to ensure it remains fit for purpose in terms both of its design and application. The SSRB supports the need for this review which it suggested should be wide-ranging and go beyond the consideration just of absolute levels of pay and VSM numbers.
10. Remuneration Committee members welcomed both the DH and the SSRB reviews of the VSM pay framework. Monitor has expressed its concerns in the past about the appropriateness of the VSM pay framework for its needs. The Committee emphasised the importance of continuing to work with the DH to address concerns previously raised with regard to historic anomalies and the administration of the framework.

Pay Protection Policy

11. Discussions with DH have established that an organisational pay protection policy will be considered sufficient to provide guidance on the resolution of pay protection cases. The Committee considered an initial draft policy (still subject to legal review) which provides guidance where basic pay could be reduced as a result of:
 - a. The introduction of a revised pay and grading system;
 - b. Organisational restructuring;
 - c. Redeployment into a suitable alternative vacancy where the individual is displaced or under notice of redundancy (limited to redeployment no more than two grades below the employee's previous grade);
 - d. Pregnancy where someone requests or is required to take a temporary transfer away from duties involving the use of a visual display unit (VDU).
12. The Committee was generally content with the proposed policy and agreed to consider it further in correspondence, following legal and executive review.

Iain Osborne
Remuneration Committee Chair

Public Sector Equality Duty

Monitor has a duty under the Equality Act 2010 to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people from different groups. In relation to the issues set out in this paper, consideration has been given to the impact that the recommendations might have on these requirements and on the nine protected groups identified by the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, gender and sexual orientation).

As it is for information, it is anticipated that none of the recommendations of this paper will have an impact upon the requirements of or the protected groups identified by the Equality Act.

Exempt information:

None of this report is exempt under the Freedom of Information Act 2000.

ANNEX A

MINUTES OF A MEETING OF THE REMUNERATION COMMITTEE HELD ON TUESDAY 30 OCTOBER 2014 AT 12.00pm AT WELLINGTON HOUSE, 133-155 WATERLOO ROAD, LONDON SE1 8UG

Present:

Iain Osborne, Non Executive Director (Chair)
Heather Lawrence, Non Executive Director
Keith Palmer, Deputy Chairman and Non Executive Director

In attendance:

David Bennett, Chief Executive
Joan Hanham, Chairman
Philippa Harding, Board Secretary
Fiona Knight, Executive Director of Organisation Transformation

1. Welcome and apologies

- 1.1 No apologies were received. Remuneration Committee members welcomed Iain Osborne to his first meeting of the Committee.

2. Declarations of interest

- 2.1 No interests were declared.

3. Minutes and matters arising from the meeting held on Thursday 25 March 2014 (RC/14/10)

- 3.1 The minutes were considered and agreed. The matters arising were noted.

4. Items considered in correspondence (RC/14/11)

- 4.1 The Committee noted the following decisions that had been made in correspondence:
- Remuneration for proposed substantive appointment of Chief Information Officer, Knowledge and Information Management;

- Salary Review 2014; and
- Remuneration for proposed substantive VSM appointment of Executive Director of Strategic Communications.

4.2 It was noted that the salary levels of senior appointments required final approval from the Department of Health (DH). Remuneration Committee members requested that clarification be sought from the DH with regard to requests for involvement in other aspects of senior appointments.

ACTION: FK

5. Reward Priorities (RC/14/12)

5.1 Fiona Knight presented the report which provided the Remuneration Committee with information about Monitor's reward programme of work, including the organisation's reward philosophy, its grade structure, pay frameworks and pay management.

5.2 Remuneration Committee members confirmed that they were content with the proposal that Monitor's reward philosophy should include the principle that rewards should recognise outstanding contribution linked to the organisation's values.

5.3 With regard to Monitor's grade structure and pay framework, Remuneration Committee members noted the plan to undertake external salary benchmarking in relation to roles that were not part of the Very Senior Manager (VSM) pay framework. It was anticipated that this would enable salary range options to be identified that addressed differentials between pay grades and provided a consistent set of pay progression principles. This was not a job evaluation exercise; however it was expected to enable the clustering of job roles into broad "job families". "Job families" were considered to be useful for addressing differing market rates for roles that were within the same organisational grade. Remuneration Committee members confirmed that they were content with this approach. It was proposed a further Remuneration Committee meeting be arranged to take place in January 2015, in order to enable the Committee to review the outcome of this work.

ACTION: PH

5.4 Remuneration Committee members considered the question of whether performance related pay (PRP) awards should be made to any VSMs for the year ending 2013/14. As in previous years, the Committee remained of the opinion that it would not be appropriate for any individual PRP award to be made to VSMs, as it did not consider the PRP awards available through the VSM pay framework to be suitable for use at Monitor.

5.5 On the organisation's scheme for recognising "exceptional" service, Remuneration Committee members suggested that further thought be given to the level of payments to be made, as well as non-monetary awards.

6. Update on Senior Salaries Review Body work in relation to Very Senior Managers (oral item)

6.1 Remuneration Committee members were provided with an oral update on the recent discussion by the Senior Salaries Review Body (SSRB) with regard to VSM

recruitment and retention. It was noted that DH was also in the process of reviewing the VSM pay framework. Both the work of the SSRB and the DH were expected to report at the end of 2014.

7. Pay Protection Policy (RC/14/13)

7.1 The Remuneration Committee reviewed the report which proposed an organisational pay protection policy.

7.2 Consideration was given to the manner in which the proposed policy would be applied and how to ensure that cases were treated consistently over time. It was proposed that the Executive Committee and the Remuneration Committee should regularly review approved pay protection cases.

7.3 As the policy remained subject to legal review, the Remuneration Committee confirmed that it was content, subject to no significant amendments being required, to approve the policy and already identified pay protection cases in correspondence.

ACTION: FK

8. Any Other Business

8.1 No other business was raised.

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