

**MINUTES OF A MEETING OF THE REMUNERATION COMMITTEE HELD ON TUESDAY
25 MARCH 2014 AT 4.30pm 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
Joan Hanham, Chairman
Philippa Harding, Board Secretary
Fiona Knight, Executive Director of Organisation Transformation

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 meeting held on:

- (i) Wednesday 24 July 2013 (RC/14/02(i)); and**
- (ii) Monday 2 September 2013 (RC/14/02(ii))**

3.1 The minutes were considered and agreed. There were no matters arising that were not covered elsewhere on the agenda.

4. VSM Pay Framework (RC/14/03)

4.1 Remuneration Committee members considered the report which provided an update on matters pertaining to the Very Senior Managers (VSM) Pay Framework that had arisen since the meeting of the Remuneration Committee on Wednesday 24 July 2013.

4.2 Fiona Knight and Stephen Thornton had recently attended a seminar hosted by the Department of Health (DH) for its Arms Length Body (ALB) Chairs and Non-Executive Directors on “remuneration of top teams”. The Committee was provided with an oral update on the issues discussed at this seminar. It was noted that a number of ALBs

continued to experience certain historical anomalies as a result of the application of the VSM Pay Framework across all DH ALBs. There were also a number of shared concerns with regard to the manner in which the Framework was being administered. The importance of addressing these issues was emphasised. In light of this it was proposed that other DH ALBs should be contacted formally to determine whether they had the same concerns as Monitor and whether a formal submission should be made to the DH in relation to these.

ACTION: FK,ST

4.3 The Committee expressed its continued support in respect of Monitor pressing for a resolution on the administrative issues it was experiencing with regard to the recruitment of senior individuals from the NHS and more generally.

4.4 Consideration was given to the question of pay protection. The Remuneration Committee was content that there was currently no requirement for Monitor to have a formal policy on pay protection, noting that the matter should be kept under annual review, or sooner should any organisational design work indicate that such principles may be required. The Committee considered it appropriate that the two cases of pay protection identified in the paper should be made to the DH on the basis that they should be indefinite entitlements. The individuals affected were considered to be key to the organisation's successful operation.

4.5 The Committee was supportive of the job re-evaluation request set out in the paper. It was confirmed that available "total package" comparisons for all VSMs should be submitted for consideration at a future meeting.

ACTION: FK

4.6 Remuneration Committee members considered the question of whether performance related pay (PRP) awards should be made for the year ending 2012/13. In light of the fact that staff who were not VSMs would not have received any PRP for the year in question, the small 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 PRP awards to be made to VSMs for the 2012/13 year. The Committee confirmed that it did not consider the PRP awards available through the VSM Pay Framework to be appropriate for use at Monitor and suggested that instead, work should be undertaken to determine whether the resources available might be used to address historical pay anomalies instead.

ACTION: FK

5. Pay Strategy (RC/14/04)

5.1 Fiona Knight introduced the paper which provided an update on Monitor's pay strategy since a proposal was last put to the Remuneration Committee in March 2013 and set out the proposed next steps.

5.2 The Committee considered the initial thinking set out in the paper with regard to the implementation of the 1% annual uplift permitted for public sector workers. It was noted that the 1% limit was based on average salary costs over a 12 month period; therefore a number of options were available other than all eligible staff receiving a 1% salary increase (such as consolidated or non-consolidated awards differentiated according to performance of grade). Remuneration Committee members suggested that, pending the further development of Monitor's performance appraisal system, consideration should be given to all eligible staff receiving a 1% salary increase.

- 5.3 With regard to the principles that Monitor should use in rewarding its staff, Remuneration Committee members requested further work to be undertaken to develop a more detailed recognition strategy. The Committee emphasised the importance of building upon the fact that recognition could extend beyond financial reward. In particular it was considered that any recognition strategy should focus upon rewarding exceptional performance and making a difference for patients.

ACTION: FK

6. Long Service Awards (RC/14/05)

- 6.1 The Committee considered the report which proposed the recognition of members of staff who had achieved ten years' of eligible service at Monitor.
- 6.2 Remuneration Committee members were content with the principle of the policy, but suggested that it should be incorporated into the wider recognition strategy commissioned by the Committee.

7. Review of the Terms of Reference and the operation of the Remuneration Committee (RC/14/06)

- 7.1 Philippa Harding presented the report which provided the Committee with the outcome of a review of its decision-making and proposed a slight amendment to its Terms of Reference. The report also asked the Committee to consider an outline of its annual report, for inclusion in Monitor's draft annual report.
- 7.2 Remuneration Committee members were content with the proposed changes to the Committee's Terms of Reference. With regard to the outline content of the Committee's annual report, a number of detailed comments were provided. The Committee stressed the importance of referring to Monitor's adoption of the VSM Pay Framework in the report.

8. Any Other Business

- 8.1 No other business was raised.

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