

To: The Board

For meeting on: 30 September 2015

Agenda item: 7

Report by: Iain Osborne, Remuneration Committee Chair

Report on: Report of the Remuneration Committee meeting on 30 September 2015

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 (with reductions) are attached as the annex to this report.

Issues

VSM / senior executive remuneration review

2. The Committee endorsed the proposed senior executive remuneration review subject to the comments made at the meeting.

Approval of senior appointments

- 1.1 The Committee agreed that the proposal to recruit to the Senior Director (Solutions Development) and Senior Director (Sustainability Analytics) should be pended until such time as permanent appointments were required. The Committee further resolved that these director roles should be approved subject to the further work that the Committee requested.

Approval of an uplift

3. The Committee agreed to endorse the proposal for an additional responsibilities allowance (ARA) for the role of a senior member of staff.

Updating the recognition framework at Monitor

4. The Committee agreed to introduce a range of smaller “thank-you” recognition awards to staff.

Recognising NHS continuity of service

5. The Committee agreed to endorse the proposal to recognise NHS continuity of service for new senior appointments to Monitor, within an agreed framework. The Committee noted that the policy of NHS TDA was aligned in this regard.

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.

**MINUTES OF A MEETING OF THE REMUNERATION COMMITTEE HELD ON
THURSDAY 03 SEPTEMBER 2015 AT 2.00pm AT WELLINGTON HOUSE, 133-155
WATERLOO ROAD, LONDON SE1 8UG**

Present:

Iain Osborne, Non Executive Director (Chair)
Heather Lawrence, Non Executive Director (by telephone)
Keith Palmer, Deputy Chairman and Non Executive Director
Ed Smith, Chairman (by telephone until item 8)

In attendance:

Fiona Knight, Executive Director of Organisation Transformation
Georgia Toutziari, Governance Manager

1. Welcome and apologies

1.1 Apologies for absence had been received from David Bennett (Chief Executive).

2. Declarations of interest

2.1 No interests were declared.

**3. Minutes and matters arising from the meeting held on Friday 30 January 2015
(RC/15/06)**

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

4. VSM / senior executive remuneration review (RC/15/07)

4.1 Fiona Knight presented the paper which set out the review of the Very Senior Manager (VSM) Pay Framework and its implementation at Monitor. The work had been undertaken in light of an indication by the Department of Health (DH) that all Arm's Length Bodies (ALB) would be receiving a letter from the Secretary of State of Health regarding VSM arrangements.

4.2 The Remuneration Committee noted the importance of ensuring that Monitor's arrangements for senior executive remuneration would withstand appropriate scrutiny. Remuneration Committee members were content that no change was required with regard to Monitor's statement of its senior executive remuneration policy. In relation, however, to 'retire and return' checks (to establish if a prospective

senior employee was already in receipt of a pension) the Remuneration Committee agreed that such a process should be implemented during September 2015.

- 4.3 With regard to the remuneration of the VSMs and non-VSM senior executives, the Committee discussed market benchmarks, noting that in light of the closer working arrangements between Monitor and NHS Trust Development Authority (NHS TDA), further work may be needed to eradicate any pay anomalies between the two organisations. It was not proposed that there was any further work on this at the current time.
- 4.4 With regard to the assurance of Chair scrutiny for VSM appointments, Committee members were content with the proposed approach as set out in the report and that the Chairman's scrutiny was an explicit concluding process step. The Committee was also content that such matters could be dealt with in correspondence if there was a particular urgency and a meeting could not be convened. It was noted that Remuneration Committee members would approve in correspondence the salaries for new senior executive/non VSM appointments in receipt of remuneration in excess of £115,000 per annum, prior to an offer being made to the preferred candidate. Given the current climate, the Committee proposed that there should be no salary uplifts by way of regrades where salaries were £100,000pa or more and the Committee wished to keep under review appointments in the range of £100,000-£115,000pa. In addition, it was noted that, pre-offer, Treasury approval would be sought for all new VSM appointments with a proposed salary in excess of £142,500pa.

RESOLVED:

- 4.5 The Remuneration Committee resolved to endorse the proposed senior executive remuneration review subject to the comments made at the meeting.

5. Approval of senior appointments (RC/15/10)

- 5.1 The Committee considered the report which provided information about the proposed appointments to seven roles in the Provider Sustainability directorate's operating structure (two roles at senior director level in Solutions Development and Sustainability Analytics, three roles at Director level in Solutions Development and two roles at Director level in Sustainability Analytics). The remuneration for the proposed appointments was of a level that meant the roles and their salaries required approval by DH. Remuneration Committee members were asked to endorse the proposed recruitment for submission to DH.
- 5.2 Remuneration Committee members emphasised the importance and its support for, appointments to the proposed positions. However, in light a closer working between Monitor and NHS TDA, it was proposed that further work should be undertaken in relation to the Director level roles in Sustainability Analytics and Solutions Development (SASD) to clarify that there were no comparable or duplicative roles at NHS TDA. It was proposed that further discussion should take place post the meeting between Monitor's Chairman, the Executive Director of Provider Sustainability and the Chief Executive to clarify the exact nature and level of roles prior to their final approval.

5.3 The Committee noted that, in relation to the two senior director roles within SASD, one was on hold and the second was being carried out on an interim basis and therefore the Committee's approval to recruit was not necessarily required at this time.

5.4 Committee members proffered a number of high level comments about the Remuneration Committee process and papers, and emphasised the importance of the Committee's prior consideration of vacancies that required approval by DH ahead of their submission.

RESOLVED:

5.5 The Committee resolved that the proposal to recruit to the Senior Director (Solutions Development) and Senior Director (Sustainability Analytics) should be pended until such time as permanent appointments were required. The Committee further resolved that these director roles should be approved subject to the further work that the Committee requested.

6. Approval of an uplift (RC/15/11)

6.1 The Committee considered the proposal [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

RESOLVED:

6.3 The Committee resolved to agree to approve an ARA [REDACTED]
[REDACTED]
[REDACTED]

7. Updating the recognition framework at Monitor (RC/15/09)

7.1 The Committee welcomed the proposal to introduce a range of smaller 'thank-you' recognition awards. In July 2015, staff had voted to receive vouchers for smaller amounts (£50, £100, and £150), alongside a separate proposal to retain cash for larger amounts.

7.2 Noting both the principles behind and the value of such awards, Committee members proposed that, in light of the sector's financial constraints, the recognition scheme could not be guaranteed to continue after the end of the financial year. It

was also considered inappropriate to increase the total budget available for the scheme in the current financial year

RESOLVED:

7.3 The Committee resolved to agree:

- i) the total 'pot' for small recognition payments should not be increased in this financial year;
- ii) the revised recognition principles;
- iii) recognition awards should be for all non-VSM staff members; and
- iv) the recognition scheme could not be guaranteed to continue after the end of the financial year and had to be reviewed, alongside other policies, as part of the integration work.

8. Recognising NHS continuity of service (RC/15/12)

8.1 The Committee welcomed the paper which set out the proposal to recognise NHS continuity of service for new senior appointments to Monitor, within an agreed framework. The Committee noted that the policy of NHS TDA was aligned in this regard.

RESOLVED:

8.2 The Committee resolved to agree that:

- i) Continuity of NHS service for the purposes of redundancy will be offered for all new hires;
- ii) Continuity of NHS service would apply to all eligible new starters from 1 September 2015, who were currently employed by an NHS organisation;
- iii) Continuity of service would not be offered to employees who had been made redundant while employed at the NHS, and who had received a redundancy payment; and
- iv) Previous NHS service for those already employed by Monitor would not be recognised, as it was assumed that employees accepted employment at Monitor on the terms offered at the point of recruitment.

9. Items in Correspondence (RC/15/13)

9.1 The Committee noted the report.

10. Any other business

10.1 Remuneration Committee members discussed whether the Committee should continue to convene during the next six months in light of the closer working arrangement between Monitor and NHS TDA and the new governance arrangements that would be put in place in the imminent future.

- 10.2 Committee members were informed of a DH seminar on VSM Pay in ALBs on 9 September. It was noted that the Executive Director of Organisation Transformation would be attending the seminar.
- 10.3 Remuneration Committee members considered the question of whether they would welcome proposals for salary uplifts for senior members of staff whose salaries were in excess of £100k per annum. The Committee agreed that it would not be appropriate for Monitor to agree any such salary increases in light of the closer working arrangements between Monitor and NHS TDA.
- 10.4 Remuneration Committee members recognised it was operating in unusual circumstances, and stressed its willingness to operate flexibly, for example, by correspondence, but also stressed the importance of maintaining regular controls particularly during times of rapid change.

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