Ashford and St. Peter's Hospitals NHS
NHS Foundation Trust

**COUNCIL OF GOVERNORS**
**15th February 2011**

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| **TITLE** | **Non Executive Director Remuneration** |
| **EXECUTIVE SUMMARY** | At the first meeting of the Council of Governors the Terms of Reference for the Remuneration and Appraisal Committee were agreed.<br><br>The Committee has now met and the minutes of the meeting are attached.<br><br>The minutes identify the process undertaken to arrive at the recommendation to the full Council on Non Executive Director remuneration, as well as the next steps to be undertaken as part of the ongoing work plan for the Committee. |
| **The Council is asked to:** | Consider the recommendation from the Remuneration and Appraisal Committee that the remuneration for Non Executive Directors should be :<br><br>1. Chairman £45,000 per annum<br>2. Non-Executive Director £12,500 per annum<br>3. Additional remuneration for chairing a Board sub committee of £3,500 with up to £5,000 for both the chair of the Finance Committee and the Audit Committee.<br><br>The Council is also asked to note the minutes of the Remuneration and Appraisal Committee. |
| **Submitted by:** | Michele Low<br>Chair of Remuneration and Appraisal Committee |
| **Date:** | 4th February 2011 |
| **Decision:** | ▪ To agree the remuneration<br>▪ To note the minutes |

# Inaugural Meeting of the Council of Governors' Remuneration and Appraisal Committee Held on 14 December 2010 in the Chief Executive's office, St. Peter's Hospital

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| **PRESENT:** | Ms Judi Linney | Public Governor – Runneymede |
| | Ms Michèle Low | Public Governor – Hounslow |
| | Mr Hugh Meares | Appointed Governor – Runnymede (from 3.30pm) |
| | Mr Paul Wills | Staff Governor |
| **APOLOGIES**: | Mr David Frank | Public Governor – Surrey Heath |
| **IN ATTENDANCE:** | Mr Andrew Liles | Chief Executive |
| | Ms Raj Bhamber | Director of Workforce and Organisational Development |
| **SECRETARY:** | Ms Jane Gear | Board Secretary/Head of Corporate Affairs |

**Minute** **Action**

**R&A1/10** **Welcome and introductions**

The Council had agreed at its inaugural meeting on 1 December 2010 to the establishment and the respective terms of reference of two committees: the Nominations and Appointments Committee, and the Remuneration and Appraisal Committee.

The purpose of the Nominations and Appointments Committee was to lead on the selection and recruitment of Non-Executive Directors and to make recommendations for approval (or otherwise) by the Council of Governors. It was confirmed that this included agreeing the role description and core competencies.

The purpose of the Remuneration and Appraisal Committee was to lead on setting the remuneration and terms of appointment of Non-Executive Directors, and to make recommendations for approval (or otherwise) by the Council of Governors.

Terms of appointment included:

- length of service (to be linked to the Monitor Code of Governance which proposed three year terms)
- expenses
- pay
- time commitment

The standard NHS terms of appointment for a Non-Executive Director were a time commitment of two to three days per month, extending to three days per week for a Chairman. The NHS appointment periods were for four years, renewable.

The Constitution had provided for the current Non-Executive Directors, including the Chairman, to transfer to the Foundation Trust under their existing terms and conditions until the Council determined its approach to remuneration.

The Council had been advised that there were two vacant Non-Executive Director places and replacements were required to be recruited immediately, one of whom would chair the Finance sub-committee of the Board. Recommendations on remuneration and appointments would be put to the February 2011 Council meeting.

**R&A2/10 Terms of Reference of the Committee**

The Terms of Reference for both Committees of the Council had been presented to the inaugural Council meeting on 1 December 2010 where they had been adopted for an initial one year period. Thereafter the Committees would have an opportunity to review and refine the Terms of Reference based on experience, best practice and environmental factors.

The Terms of Reference for the Remuneration and Appraisal Committee were NOTED.

**Chairmanship**

The Terms of Reference assigned the role of chairing the Committee to the Lead Governor. As the Council had only just been established, the appointment of the Lead Governor was pending. The Committee had therefore been established with an additional Public Governor and it was proposed that one of the Public Governors should chair the Committee until a Lead Governor was appointed.

It was AGREED that Michèle Low would chair the meeting.

**R&A3/10 Remuneration Paper**

The Director of Workforce and Organisational Development introduced a short briefing paper which referenced research entitled *Time is Precious* (2009) carried out by the Appointments Commission and which drew on data from two thirds of Foundation Trusts in England. This research suggested that the key factors in setting the remuneration of Non-Executive Directors were the size, scale and nature of the Trust, with little regional variation. The Director of Workforce added that in her general experience of recruitment, additional factors for consideration normally include the skills and experience required for the roles and internal and external relativities.

The paper also provided local intelligence of remuneration levels based on Frimley Park NHS Foundation Trust's Annual Report and Accounts 2009-2010 and advertisements for Non-Executive Directors at Heatherwood and Wexham Park NHS Foundation Trust and Oxfordshire and Buckinghamshire Mental Health Foundation Trusts, offering remuneration of £12,000-13,000. The Director of Workforce and Organisational Development's concluding recommendation was that the remuneration of the Chairman and Non-Executive Directors reflect local relativities.

The Committee had a wide ranging discussion on the approach to, and principles of, remuneration :

**Use of external advisors**

External advisors could be appointed to assist the Committee. However, it was AGREED that in the light of the likely expense and time pressure on making a recommendation to Council, and the availability of some external comparators published by the Appointments Commission and which

covered a significant proportion of Foundation Trusts, the appointment of external advisors was not appropriate on this occasion.

**Comparators**

It was noted that comparability was not the sole driver in determining remuneration; this could potentially drive pay upwards. Nevertheless, the current levels of remuneration were set by the Appointments Commission and as such were below the norm for Foundation Trusts.

The Committee discussed whether there was a straight comparison with either the voluntary sector or the private sector and concluded that a Foundation Trust was a hybrid of the two. To rely entirely on practice in one or other of these sectors was therefore not appropriate. Additionally it was recognised that board membership carried significant accountabilities and that nationally most Non-Executives made a significantly bigger time commitment than the minimum requirement of two to three days per month. It was therefore not appropriate to rely simply on public values to attract the necessary commercial and professional expertise.

The Appointments Commission research set out that nationally:

- the majority (80%) of Non-Executives were paid between £10,000-14,000 and 41% were paid £12,000-13,000
- the pay for Chairs varied between £40,000-60,000
- where a Non-Executive Director took on additional responsibilities such as chairing a sub-committee, the majority of Foundation Trusts paid additional remuneration of between £2,000-5,000.

The Committee was advised that Frimley Park Hospital NHS Foundation Trust was a Surrey Trust of a comparable size and nature in terms of the range of services provided. The Chairman of Frimley Park was paid £51,000 for the year ending 2009/10. However, Frimley Park had been established as a Foundation Trust since 2005 and their Chairman was very experienced.

Following discussion, the Committee AGREED a general principle to underpin their approach on remuneration, in the absence of wider comparators such as size or complexity of business and patient throughput. The principle was that remuneration should be set in the middle of the average reported for all Foundation Trusts. This could then be applied to all aspects of remuneration, from base pay to additional allowances.

Applying this principle meant that the Committee would recommend base remuneration as follows:

1. Chairman £45,000 per annum
2. Non-Executive Director £12,500 per annum

Committee members AGREED that additional remuneration should be paid to Non-Executive Directors who chaired a board sub-committee in recognition of the additional responsibilities. Using the principle of mid point, this equated to £3,500 for board sub-committee chairs, with up to £5,000 for both the chair of the Finance Committee and the Audit Committee if absolutely required in negotiations with candidates.

The Committee AGREED to recommend to Council:

- the Chairman's remuneration
- the remuneration for Non-Executive Directors
- the additional allowances for chairing committees

as detailed above.

Hugh Meares was thanked for bringing Runnymede Borough Council's paper on remuneration for Councillors to the attention of the Director of Workforce and Organisational Development. This had been received only a few hours before the meeting and it had not therefore been practical to consider sufficiently.

**R&A4/10 ANY OTHER BUSINESS**

There was no other business on this occasion.

**R&A5/10 Date of Next Meeting**

These would be scheduled for 2011. The Committee AGREED that items to be included on the agenda would include:

- preparing a work plan for the year
- examining possible dimensions to be considered in the next annual evaluation of Non-Executive pay **RB**
- appraisal process and timetable
- pay award with effect from April 2012

**Signed:** ……
Chairman

**Date:**

## Summary Action Points

| Meeting Date | Minute Ref | Topic | Action | Lead | Due Date | Comment as at [Date] | Status |
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| **14/12/10** | **R&A2/10** | **Terms of Reference** | To review and make recommendations to the Council | **RB/JG** | November 2011 | | |
| **14/12/10** | **R&A3/10** | **Chair of Committee** | Review in light of Terms of Reference and appointment of a lead Governor | **RB/JG** | March 2011 | | |
| **14/12/10** | **R&A6/10** | **Next Meeting** | Appraisal process and timetable | **RB** | Sept 2011 | | |
| **14/12/10** | **R&A6/10** | **Next Meeting** | Agree the Committee annual work-plan | **RB** | March 2011 | | |
| **14/12/10** | **R&A6/10** | **Next Meeting** | Dimensions and components of Remuneration and Terms of Service | **RB** | Sept 2011 | | |
| **14/12/10** | **R&A6/10** | **Next Meeting** | Pay award wef 04/2011 | **RB** | March 2011 | | |