

# ANNUAL REPORT

## Remuneration Committee

### 2016/2017



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REF NUMBER	DOCUMENT REFERENCE NUMBER	TITLE	VERSION

**Contents**

1. Introduction ..... 3

2. Committee Responsibilities ..... 3

3. Remuneration Committee – Formal Report..... 4

4. Other Work undertaken ..... 5

5. Conclusions ..... 5

Appendix 1 – Attendance at Meetings ..... 7

Appendix 2 – Remuneration Committee Duties (Extract from TOR) ..... 8

## 1. Introduction

- 1.1 This report sets out the work undertaken by the Remuneration Committee during the 2016/17 year. This demonstrates how the committee has met the responsibilities set out for it by the Governing Body in the Clinical Commissioning Group's constitution and includes the formal account of the committee's work outlined in the CCG's Annual report.
- 1.2 The Health and Social Care Act 2012 and the associated regulations require the Governing Body to establish a Remuneration Committee to discharge the duties outlined in legislation. In addition to these duties, the CCG has delegated further responsibilities to the committee, which are summarised below and detailed in Appendix 1.
- 1.3 In addition to formal report from the committee, the evidence contained in this report will be shared with the CCG's Governing Body and also will be used to support the content of the organisations' Annual Governance Statement.
- 1.4 The committee's membership requirements are set out in its terms of reference, stating that the committee must be chaired by the Governing Body Lay Member and must have three other members of the Governing Body who are not employees of the group:-
- Jim Oatridge - Lay Member – Governance (Chair)
  - Dr David Bush - GP Governing Body Member
  - Mr Tony Fox - Secondary Care Consultant
  - Dr Julian Morgans - GP Governing Body Member
- 1.5 The committee met on the following occasions during the financial year:
- 19 April 2016
  - 19 July 2016
  - 28 March 2017

Details of the attendance at all of these meetings are enclosed at Appendix 1 for information.

## 2. Committee Responsibilities

- 2.1 As highlighted above, the CCG Governing Body is required to appoint a Remuneration Committee to support decision making around:-
- employees' remuneration, fees and allowances and any other terms and conditions of service; and
  - the remuneration and travelling or other allowances of members the governing body.
- The committee's work in this area, along with its specific work to develop policies for the remuneration of senior officers is detailed in the formal report in section 3.
- 2.2 In addition to these statutory responsibilities, the group has delegated responsibilities to the committee to approve Human Resources policies for the group and to support senior recruitment. Work undertaken in this area is summarised in section 4.

### 3. Remuneration Committee – Formal Report

#### Policy on remuneration of senior managers

- 3.1 Senior managers for the organisation have one of three types of contract depending on their role:
- *Office Holder* – Governing Body members are engaged by the CCG on office holder contracts as advised by the legal advisors Bevan Britain and Capsticks. Their pay was determined by the national guidance published in September 2012 for lay members and GPs on the Governing Body. The Governing Body members are engaged on varying lengths of term to enable stability within the organisation and, at the end of each term, consideration will be given at the Remuneration Committee as to whether pay for each session or role requires review.
  - *Very Senior Manager (VSM)* – The Accountable Officer, Chief Finance and Operating Officer, and Director of Strategy and Transformation are engaged by the CCG on VSM contracts. Salaries were established in line with the national groups for determining VSM pay in September 2012.
  - *Agenda for Change* – The CCG’s Executive Lead for Nursing and Quality is engaged by the CCG on Agenda for Change terms and conditions. Pay is in line with national pay scales and pay awards.
- 3.2 A mechanism for reviewing Officer and VSM pay was agreed by the Remuneration Committee in June 2014. The policies adopted provide a framework for considering any uplift to remuneration for VSM and officer members of the Governing Body. They provide an opportunity for consideration of an annual uplift and, in addition, the VSM framework details a structure for the setting and awarding of a performance-related payment. The Committee has slightly amended this framework during the year to ensure it aligns with the CCG’s Performance Development Review Policy and process for setting objectives.

#### Senior managers’ performance-related pay

- 3.3 The Remuneration Committee agreed in 2016/17 that a reserve for an overall maximum of 10 per cent of VSM base pay would be set aside for performance-related payment. Within the 10 per cent, 2.5 per cent is allocated to each of the four categories identified below:
- Leadership
  - Finance
  - Quality
  - Stakeholder engagement.

All performance-related payments are non-consolidated.

- 3.4 The appraisal process for VSMs includes objective setting aligned to the four categories noted above, as well as regular review of progress. Following year end, the Chair and Accountable Officer (the line managers for the VSM posts) are required to present their case for award of payment to the Remuneration Committee. The committee holds delegated responsibility to agree any award to be made.
- 3.5 VSM appraisal relating to 2016/17 performance is scheduled to take place early in the new financial year with a plan for the Remuneration Committee to make a final decision regarding award by the summer.

## Policy on duration of contracts, notice periods and termination payments

- 3.6 The policy for senior manager contracts varies according to the role:
- *VSM contracts* – senior managers on VSM contracts are engaged on a permanent contract with a notice period of six months. Any termination payments will be made in line with Agenda for Change terms and conditions for severance payments.
  - *Agenda for Change* – senior managers on Agenda for Change contracts are engaged on a permanent contract with a notice period of three months. Any termination payments will be made in line with Agenda for Change terms and conditions for severance payments.
  - *Elected GP office holders* – these office holder contracts are for a tenure period of three years.
  - *Practice manager representative office holder* – this role has a maximum length of tenure of five years.
  - *Lay member and secondary care doctor office holders* – these roles have a maximum length of tenure of five years.
- 3.7 The notice of all office holder contracts could be terminated with immediate effect based on a number of criteria within the contract, for example, the CCG no longer requiring a role under statute.

## 4. Other Work undertaken

- 4.1 In fulfilling its duties set out in its terms of reference around the remuneration of Governing Body members, in July the committee agreed the arrangements and remuneration for an additional Lay member role on the Governing Body and a new role to support the Lay Member for Audit and Governance. The committee also agreed the arrangements for an Interim Accountable Officer to cover for the absence of the Accountable Officer.
- 4.2 The committee has delegated authority to approve human resources policies on behalf of the Governing Body. This now takes up less of the committee's time than in previous years as the CCG has matured as an organisation, however during the year policies on Bullying and Harassment, Pay Protection, Recruitment and Annual Leave. The committee also endorsed the CCG's broader policy on Domestic Violence.

## 5. Conclusions

- 5.1 As highlighted in the CCG's Annual Report, the committee has met its statutory obligations, as well as performing those other functions delegated to it by the Governing Body. The committee has met when required to discharge these functions, particularly those around remuneration for Very Senior Managers.
- 5.2 Looking forward, it is likely that the committee will have a number of issues on its agenda as a result of changes to the CCG's Governing Body and the on-going collaboration between CCGs in the Black Country STP footprint.
- 5.3 The Committee wishes to place on record its thanks to Mr Tony Fox, the previous Governing Body Secondary Care Consultant following his resignation from the

Governing Body. The committee looks forward to welcoming his successor early in the new year.

## Appendix 1 – Attendance at Meetings

	19.4.16	19.7.16	28.3.17
<b>Members</b>			
Jim Oatridge, Independent Committee Member (Chair)	✓	✓	✓
Dr David Bush, Governing Body Member, CCG	✓	✓	✓
Mr Tony Fox, Governing Body Member, CCG	✗	Resigned from the Governing Body	
Dr Julian Morgans Governing Body Member, CCG	✗	✓	✗

## Appendix 2 – Remuneration Committee Duties (Extract from TOR)

The RC will make recommendations to the governing body on determinations about pay and remuneration for employees of the group and people who provide services to it, as well as allowances under any pension scheme it might establish as an alternative to the NHS pension scheme. This will enable the group to deliver the relevant functions:

- paying its employees' remuneration, fees and allowances in accordance with the determinations made by its governing body and determining any other terms and conditions of service of the group's employees (constitution 5.1.1(c));
- determining the remuneration and travelling or other allowances of members of its governing body (constitution 5.1.1(d)).

The specific duties required of the RC are:

- determining the remuneration and conditions of service of the senior team (constitution 6.9.3(b)(i));
- reviewing the performance of the accountable officer and other senior team members and determining annual salary awards, if appropriate.(constitution 6.9.3(b)(ii));
- considering the severance payments of the Accountable Officer and other senior staff, seeking HM Treasury approval as appropriate in accordance with the guidance 'Managing Public Money' (constitution 6.9.3(b)(iii));
- approving human resources policies (constitution 6.9.3(b)(iv) and 9.4).