

|  |   |  |    |
|--|---|--|----|
| <b>Title of paper:</b>   | Remuneration and Nominations Committee Report July 2015 |  |    |
| <b>Author:</b>   | Justin Dix, Governing Body Secretary                    |  |    |
| <b>Exec Lead:</b>  | Matthew Knight, Chief Finance Officer                   |  |    |
| <b>Date:</b>   | 10 <sup>th</sup> July 2015                              |  |    |
| <b>Meeting:</b>  | Governing Body  |  |    |
| <b>Agenda item:</b>  | 19  | <b>Attachment:</b>   | 16 |
| <b>For:</b>  | Information   |  |    |
| <p><b>Executive Summary:</b></p> <p><b>Remuneration and Nominations Committee</b></p> <p>The Remuneration and Nominations Committee has not met recently however a meeting is planned over the summer to consider issues relating to Governing Body elections, which are due in the autumn.</p> <p><b>Remuneration Committee report</b></p> <p>The committee's annual report is attached. Key issues are as follows:</p> <ul style="list-style-type: none"> <li>• The committee met three times during the year in question</li> <li>• In overall terms the committee was felt to have been effective, and this was reinforced by an internal evaluation of the committee</li> <li>• There were a number of issues relating to CSU transfers of HR services</li> <li>• High staff turnover was an issue for the organisation</li> <li>• A key role in future will be to ensure the CCG has a talent management strategy to address its significant challenges</li> </ul> |   |  |    |
| <p><b>Compliance section</b></p> <p>Please identify any significant issues relating to the following</p>   |   |  |    |
| <b>Risk Register and Assurance Framework</b>   |   | Organisational capacity and development are on the risk register |    |

|  |  |
|--|--|
| Patient and Public Engagement  | No specific issues   |
| Patient Safety & Quality   | No specific issues   |
| Financial implications   | Financial recovery is on the CCG risk register   |
| Conflicts of interest  | The committee has managed conflicts of interest relating to remuneration during the course of the year. Key members and observers have been asked to leave the meeting whilst decisions are discussed and taken. |
| Information Governance   | No specific issues   |
| Equality and Diversity   | No specific issues   |
| Any other legal or compliance issues   | None specific  |
| <b>Accompanying papers (please list):</b> Remuneration and Nominations Committee for 2014-15                                     |  |
| <b>Summary:</b> What is the Governing Body being asked to do and why? To NOTE the attached annual report and highlighted issues. |  |

## **Annual Report of the Remuneration and Nominations Committee for 2014/15**

### **1. Introduction**

I have been a member of the Remuneration and Nominations Committee during 2014/15 and following the departure of Gavin Cookman, lay member for Governance, I have taken on an interim Chairmanship role. Based on my direct experience of attending the committee and following discussions with Gavin Cookman, it is my view that the committee has been effective in discharging its functions as set out in its terms of reference.

### **2. Regulatory environment**

The CCG is authorised by NHS England. The broad remit of the Remuneration and Nominations Committee is established in accordance with the 2012 Health and Social Care Act which makes the establishment of a committee a legal requirement. The CCG's Constitution, Standing Orders and Scheme of Reservation and Delegation develop the broad remit and the terms of reference (approved by the Governing Body) set out the membership, remit, responsibilities and reporting arrangements of the Committee in more detail.

### **3. Significant issues that the committee has considered during the year**

The minutes of the committee are not made generally available as they contain detail of the remuneration of individuals. Redacted content can be made available under Freedom of Information provisions in specific cases.

The committee met three times during the year in question. The following is a summary of the key matters that I, as interim Chair, would like to bring to the attention of the Governing Body for the year in question.

### *Remuneration issues*

The committee oversaw ongoing work on remuneration of Governing Body members during the year. There were particular issues with lay member remuneration given the additional requirements on them, and interim arrangements were put in place to resolve this. As required by the Department of Health and NHS England, all remuneration issues were subsequently set out in the CCG's Annual Report and Accounts.

### *Recruitment and Retention*

The CCG experienced significant turnover of senior managers during the year, in particular in Service Redesign. This had a significant impact on the CCG's capacity to manage and effect transformation.

There were delays in appointing a Head of Finance but this post was eventually successfully recruited to.

During the year the Committee supported the appointment of an additional Executive post (the Director of Commissioning and Strategy) to provide support to the increasingly complex range of programmes that the CCG needed to put in place as part of its transformational work. This was particularly related to the emerging financial risks that the CCG experienced in the final two quarters and which required a number of interim appointments to be made. The committee also supported the appointment of a head of legal services.

### *Staff absence*

Statistical information showed that the CCG was well within normal ranges for sickness and other absence.

### *Disclosure and Barring*

There were significant concerns about the services offered by the CCG's then Commissioning Support Unit. This was raised with the CSU but was not satisfactorily resolved until the service was taken in-house (see below).

### *Commissioning Support*

The level of support received from the CCG's then Commissioning Support Unit was generally not felt to be satisfactory. In addition to concerns about disclosure and barring (above) there were errors in pensions and concerns about the responsiveness of the service and the speed of recruitment initiatives. The CCG therefore made a decision to bring most Human Resource services in-house in October 2014. Ongoing issues following this transfer are being resolved through improved HR systems and processes.

### *Turnover of Governing Body members*

The two lay members for Patient and Public Participation and one of the lay members for Governance all left the Governing Body during the year and there were significant delays in recruiting replacements.

### *Staff Survey*

The CCG's first staff survey yielded generally positive results, particularly in the context of establishing a new organisation.

## **4. Relevant policy areas**

The committee approved the following policies during the year:

- Organisational Change Policy

There were delays in equality assessing some policies due to a lack of capacity and expertise in the organisation which was subsequently resolved.

Also, the Audit Committee has expressed concerns during the year about the effectiveness of policy dissemination and training, and in particular would recommend more training on risk management for staff throughout the organisation. As Interim Chair of the Remuneration and Nominations Committee I support these developments.

## **5. Access to relevant and timely information**

With the exception of information from the former CSU as set out above, the committee was satisfied that it had access to the information it required during the year and that contributors responded well to requests for additional information.

## **6. Working with other Governing Body Committees**

The Chief Officer, who chairs the Executive Committee, has attended the Remuneration and Nominations Committee regularly. This means that there is a good interface between the committees to minimise the risk of gaps or overlap in business. It is common for the committees to recommend actions to each other as appropriate.

## **7. The system of Internal Controls and underlying risks and issues**

The Committee has regularly reviewed the assurance framework and corporate risk register in relation to workforce and nominations issues and was reasonably assured that risks in these areas had been identified, however there is room for development and growth.

## **8. Evaluation of the effectiveness of the committee**

During the year the Committee narrowed its focus as it had previously been considering operational issues which were more properly the role of the Executive. The terms of reference were revised to specifically look at the following issues:

- Remuneration of the senior members of the organisation, e.g. all members of the Governing Body and all direct reports to the Chief Officer
- Governing Body effectiveness in terms of skills, diversity, composition and succession planning
- HR policy framework but only for assurance, with the Executive taking the lead role
- Compliance around the law relating HR but again with the HR function working with the Executive to address the majority of the issues.

The Governing Body Secretary reviewed the effectiveness of the Governing Body Committee through a survey of members and regular attenders. A summary of the results is attached in Appendix 1. A key learning point of this is to ensure that reviews of critical areas are undertaken more frequently.

## **9. Proposals for the coming year**

Financial sustainability of the CCG and transformation of the local health and social care system will be a key theme over the next three years, as will developments in primary care, and it is important that the focus on improving recruitment, retention and development of a high class leadership and workforce is a priority. The remuneration and nominations committee needs to meet as regularly as is required to support these developments.

Peter Collis

Lay Member for Governance

## Appendix 1: Committee Effectiveness Scores 2014/15

|  | Response rate | Clarity of purpose | Overall fit | Value - assurance and decision making | Papers | Up to date Terms of Reference | Recording and ownership of actions | Follow through and closure of actions | Meeting scheduling and flexibility | Appropriate membership | Effectiveness of chair | Attendance and engagement | Management of conflict of interest | Appraisal and feedback | Overall score |
|--|---------------|--------------------|-------------|---------------------------------------|--------|-------------------------------|------------------------------------|---------------------------------------|------------------------------------|------------------------|------------------------|---------------------------|------------------------------------|------------------------|---------------|
| Quality committee                      | 80%           | 7.1                | 7.1         | 7.8                                   | 6.3    | 6.25                          | 8.6                                | 7.5                                   | 8.4                                | 7.3                    | 7.1                    | 6.75                      | 8.4                                | 5.8                    | 7.3           |
| Executive committee                    | 64%           | 8.4                | 8.4         | 8.4                                   | 6.7    | 7.1                           | 8.7                                | 8.1                                   | 8.4                                | 8.1                    | 7.9                    | 8.7                       | 8.3                                | 8                      | 8.1           |
| Audit Committee                        | 73%           | 8.1                | 8.1         | 8.3                                   | 8.1    | 8.1                           | 8.8                                | 8                                     | 8.1                                | 8.6                    | 8.8                    | 8.3                       | 8.9                                | 6.4                    | 8.2           |
| Remuneration and Nominations Committee | 71%           | 7.8                | 8.0         | 8.0                                   | 7.0    | 8.0                           | 8.2                                | 7.2                                   | 7.4                                | 8.2                    | 8.2                    | 8.8                       | 9.4                                | 6.2                    | 7.9           |
| Governing Body                         | 78%           | 7.9                | 8.3         | 8.4                                   | 7.8    | 7.5                           | 8.6                                | 7.9                                   | 8.4                                | 8.3                    | 8.6                    | 8                         | 8.9                                | 7.4                    | 8.2           |

|   |  |
|---|--|
|  | Positive score (>80%)<br>not a priority for<br>action            |
|  | Good Score (60-79%)<br>indicates some areas<br>for action        |
|  | Low score (<60%)<br>needs rapid follow up<br>and probable action |