

BOARD APPOINTMENTS, REMUNERATION AND TERMS OF SERVICE COMMITTEE

TERMS OF REFERENCE

1. Authority

- 1.1 The Board Appointments, Remuneration and Terms of Service Committee ('the Committee') is a sub committee of the Board of Directors at Airedale NHS Foundation Trust.
- 1.2 The Committee in its workings will be required to adhere to the Constitution of Airedale NHS Foundation Trust, the Terms of Authorisation and NHS Code of Governance issued by the Independent Regulator for NHS Foundation Trusts. As a sub committee of the Board of Directors, the Standing Orders of the Trust shall apply to the conduct of the working of the Committee.
- 1.3 The Committee is authorised by the Board to seek any information it requires from any employee of the Trust in order to perform its duties.
- 1.4 In connection with its duties the Committee is authorised by the Board to obtain, at the Trust's expense, any outside legal or other professional advice.

2. Purpose

- 2.1 The Committee shall be responsible for identifying and recommending the appointment of candidates to fill all the executive director and associate director positions; for determining their remuneration and other conditions of service and for overseeing succession planning arrangements. (see appendix 1 for the roles covered by the Committee's remit.)

3. Objectives

- 3.1 To fulfil its duties the Committee will:
 - Keep up to date with relevant national and local developments;
 - Proactively seek best practice;
 - Review remuneration policies;
 - Consider proposals for changes in terms and conditions of employment;
 - Consider any matter relating to the continuation in office of any Executive Director including the suspension or termination of service of an individual as an employee of the Trust, subject to the provisions of the law and their employment contract;
 - Consider any in year variations of salaries and terms and conditions of employment of Executive Directors and Senior Managers who are subject to the annual review process carried out by the Committee;
 - Oversee the process for the nomination of the Chief Executive for approval by the Board (and ratification by the Council of Governors);
 - Oversee the process for the appointment of other Executive Directors, Associate Directors and Company Secretary; and

- Lead the process for the identification and nomination of the chair of all Board Committees and Board post holders i.e. Senior Independent Director and Deputy Chair and make recommendations to the Board of Directors.

Guidelines extracted from the NHS Code of Governance are attached in Appendix 2.

3. Duties

3.1 Appointments role

The Committee will:

- 3.1.1 Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the board, making use of the output of the board evaluation process as appropriate.
- 3.1.2 Give full consideration to and make plans for succession planning for the chief executive and other executive/associate board directors taking into account the challenges and opportunities facing the trust and the skills and expertise needed on the Board in the future.
- 3.1.3 Keep the leadership needs of the trust under review at executive level to ensure the continued ability of the trust to operate effectively in the health economy.
- 3.1.4 On a continual basis and in particular when a vacancy arises, evaluate the balance of skills, knowledge and experience on the board, its diversity and prepare a description of the role and capabilities required for the particular appointment.
- 3.1.5 Agree the appropriate process for advertising the role and identifying and appointing candidates against objective criteria.
- 3.1.6 Ensure that mechanisms are in place to determine whether a candidate is fit and proper to fulfil the role prior to appointment.
- 3.1.7 Consider any matter relating to the continuation in office of any board executive director including the suspension or termination of service of an individual as an employee of the trust subject to provisions of the law and their service contract.
- 3.1.8 Consider all proposed changes to the senior management structure of AGH Solutions Limited and approve job descriptions for post holders covered by the Committee's remit
- 3.1.9 Ensure that there is a formal, rigorous and transparent procedure for the appointment of new Executive and Associate Directors and Non-Executive Directors to the Board of AGH Solutions Limited which fit the criteria set out by the committee.

3.2 Remuneration and terms of service role

The Committee will:

- 3.2.1 Establish and keep under review a remuneration policy in respect of executive directors and senior managers.
- 3.2.3 In accordance with all relevant laws, regulations and trust policies, decide and keep under review the terms and conditions of office of the trust's executive directors and senior managers including:
 - salary, including any performance-related pay or bonus;
 - provisions for other benefits including pensions;

- allowances
- payable expenses; and
- compensation payments.

3.2.4 In adhering to all relevant laws, regulations and trust policies:

- establish levels of remuneration which are sufficient to attract, retain and motivate executive directors with the skills and experience required to successfully lead the trust, at a level which is affordable to the trust;
- use national guidance and market benchmarking analysis in the annual determination of remuneration of executive directors while ensuring that increases are not made where trust or individual performance do not justify them;
- be sensitive to pay and employment conditions elsewhere in the trust.

3.2.5 Ensure that the criteria presented for the annual review of:

- Increases in basic salaries;
- Bonuses (if applicable) based on performance / achievement of objectives; and
- Changes in terms and conditions of employment

is applied objectively to the determination of the award for each Executive Director, Associate Director and defined Senior Manager.

3.2.6. Monitor and assess the performance of the executive director team and consider this when reviewing any suggested changes in remuneration, and this should typically be done annually.

3.2.7 Determine the policy for, and scope of, pension arrangements for each Executive Director and other senior managers as it is designated to consider.

3.2.8 Consider changes within the Executive Directors and / or senior managers pension schemes which may be required on an ad hoc basis, and which may arise at times of appointment or promotion.

3.2.9 Ensure that contractual terms on termination, and any payments made, are fair ensuring value for money, and that the duty to mitigate loss is fully recognised; taking account of such national guidance and legal obligations including seeking approval from the Treasury for termination of payments as may be appropriate.

3.2.10 Within the terms of the agreed policy and in consultation with the Chair and / or Chief Executive as appropriate, determine the total individual remuneration package, including benefits, of each Executive Director, Associate Director and other Senior Managers.

3.2.11 Agree the policy for authorising claims for expenses from the Chief Executive.

3.2.12 Agree the expense allowances as may be payable to Foundation Trust Governors.

3.2.13 Set remuneration for all Executive Directors and Non-Executive Directors of AGH Solutions Limited, including from time to time setting remuneration levels of interim posts.

3.2.14 Establish the selection criteria, appointing and setting the terms of reference for any remuneration consultants who advise the committee on appointments to the Board of AGH Solutions Limited and to obtain reliable, up to date information about remuneration in similar organisations. The committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

3.2.15 In consultation with the Chair of AGH Solutions Limited, determine the total individual remuneration policy, including benefits, of each Executive Director and Non-Executive Director of AGH Solutions Limited.

4. Membership

4.1 The membership of the Committee shall be appointed by the Board and shall consist of:
- Three Non-Executive Directors
- The Chief Executive.

4.2 The Director of People and OD and the Associate Director of Corporate Affairs will normally attend each meeting, or send a deputy.

4.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited to attend for all or part of any meeting at the request of the committee chair.

4.4 The Board shall appoint the Committee Chair who shall be an independent Non Executive Director. In the absence of the Committee Chair and / or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

5. Quorum

5.1 The quorum necessary for the transaction of business shall be two Non-Executive Directors. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

6. Secretary

6.1 The Company Secretary or their nominee shall act as the Secretary of the Committee.

7. Frequency of Meetings

7.1 Meetings shall be called as required but at least twice in each financial year.

8. Minutes of Meetings

8.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

8.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee.

8.3 The minutes of the Committee shall record the decisions and report in writing to the Board the basis for its decisions.

9. Reporting Responsibilities

9.1 The minutes of the Committee shall be formally recorded by the Secretary of the Committee and submitted to the Board of Directors. The Chair of the Committee shall draw the attention of the Board to the basis for its decisions.

9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

10. Decisions of the Committee

- 10.1 Any decisions of the Committee shall be taken on a majority basis. The Chair shall have a casting vote in the event of equality of voting. No member should be involved in decisions relating to themselves.

11. Other

- 11.1 The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at a maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

12. NHS Constitution

The Committee will embody the principles of the NHS Constitution in all it does.

SCHEDULE OF POSTS COVERED BY THE COMMITTEE'S REMIT*

Executive Directors

Chief Executive
Director of Finance
Director of Nursing
Chief Operating Officer
Medical Director
Director of People and OD

Associate Directors

Director of Strategy and Partnerships
Director of Corporate Affairs / Company Secretary
Director of Quality and Safety

Executive and Associate Directors direct reports for:

- succession planning
- talent management

Senior Managers (Band 8b and above) for:

- recommending and monitoring the level and structure of remuneration for senior management

Posts subject to payment of allowances:

Clinical Director allowance
Lead Clinician allowance

AGH Solutions Limited

Non-Executive Director(s)
Managing Director
Director of Finance
Company Secretary

*This list is not exhaustive and may vary as posts change within the organisational structure

APPENDIX 2

BOARD APPOINTMENTS, REMUNERATION AND TERMS OF SERVICE COMMITTEE

GUIDELINES RE NHS CODE OF GOVERNANCE (WORKING DOCUMENT)

These guidelines support the Board Appointments, Remuneration and Terms of Service Committee ('the Committee') Terms of Reference. They reference to the NHS Foundation Trust Code of Governance, especially the following Code Provisions:

Code Provisions

B.2.1 The Nominations Committee or Committees with external advice as appropriate are responsible for the identification and nomination of Executive and Non-Executive and Non-Executive Directors. The Nominations Committee should give full consideration to succession planning, taking into account the future challenges, risks and opportunities facing the NHS Foundation Trust and the skills and expertise required within the Board of Directors to meet them.

The review process will be determined and undertaken as identified in the Committee's Terms of Reference.

B.2.2 Directors of the board of directors and governors on the council of governors should meet the 'fit and proper' persons test described in the provider licence. Trusts should also abide by the updated guidance from the CQC regarding appointments to senior positions in organisations subject to CQC regulations.

The appointment letter for newly appointed directors includes a declaration statement to this effect which is signed on appointment. Prior to appointment, a full fit and proper person assessment will be undertaken for any executive or non-executive director. The code of conduct for directors places an obligation on directors to inform the Trust of a change of circumstances to this effect.

B.2.3 There may be one or two Nominations Committees. If there are two committees one will be responsible for considering nominations for Executive Directors and the other for Non-Executive Directors (including the chairperson). The Nominations Committee(s) should regularly review the structure, size and composition of the Board of Directors and make recommendations for changes where appropriate. In particular the Nomination Committee(s) should evaluate the balance of skills, knowledge and experience on the Board and, in light of this evaluation, prepare a description of the role and capabilities required for appointment of both Executive and Non-Executive Directors, including the Chairman.

The nominations process will be for the appointments of Chief Executive and other Executive Directors (See C.1.10). The process will not be for the appointment of the Chairman and Non-Executive Directors (See B.2.5, B.2.6 and B.2.7).

B.2.4 The Chairman or an independent Non-Executive Director should Chair the Nomination Committee(s).

An independent Non-Executive Director shall chair the Committee as stated in the Terms of Reference.

B.2.11 It is a requirement of the 2006 Act that the Chairman, the other Non- Executive Directors and – except in the case of the appointment of a Chief Executive – the Chief Executive, are responsible for deciding the appointment of Executive Directors. The Nominations Committee with responsibility for Executive Director nominations should identify suitable candidates to fill Executive Director vacancies as they arise and make recommendations to the Chairman, the other Non Executive Directors and, except in the case of the appointment of a Chief Executive, the Chief Executive.

The Board of Directors have established the Committee for the appointment of the Chief Executive and other Executive Directors and Associate Directors. There is no further nominations process.

B.2.12 It is for the Non-Executive Directors to appoint and remove the Chief Executive. The Appointment of a Chief Executive requires the approval of the Council of Governors.

The Committee is to note that this is set out in the Constitution.

B.2.9 An independent external adviser should not be a member or have a vote on the nominations committee(s)

The Committee is to note that this is set out in the Terms of Reference

B.3.3 The Board of Directors should not agree to a full time Executive Director taking on more than one Non-Executive Directorship of an NHS Foundation Trust or another organisation of comparable size and complexity, nor the Chairmanship of such an organisation.

The Committee is to note that Executive Directors are required to declare such interests under the Foundation Trust’s Code of Conduct.

B.4.2 The chairperson should regularly review and agree with each director their training and development needs as they relate to their role on the board.

In respect of Executive Directors, the Non-Executive Directors are invited to provide the Chief Executive with appraisal information in relation to their role as Board director.

C.1.14 A separate section of the Annual Report should describe the work of the Committee(s) including the process it has used in relation to Board appointments.

A report will be produced to reflect the work of the Committee and the Appointments and Remuneration Committee.

Remuneration policy

B.8.1 The remuneration committee should not agree to an executive member of the board leaving the employment of an NHS foundation trust, except in accordance with the terms of their contract of employment, including but not limited to service of their full notice period and/or material reductions in their time commitment to the role, without the board first having completed and approved a full risk assessment.

BART will act in accordance with the NHS Code of Governance.

D.1.1 Any performance related elements of the remuneration of Executive Directors should be designed to align their interests with those of patients, service users and taxpayers and to

give these Directors keen incentives to perform at the highest levels. In designing schemes of performance related remuneration, the Remuneration Committee should follow the following provisions:

- i) The Remuneration Committee should consider whether the Directors should be eligible for annual bonuses. If so, performance conditions should be relevant, stretching and designed to match the long term interests of the public and patients.
- ii) Payouts or grants under all incentive schemes should be subject to challenging performance criteria reflecting the objectives of the NHS Foundation Trust. Consideration should be given to criteria which reflect the performance of the NHS Foundation Trust relative to a group of comparator Trusts in some key indicators, and the taking of independent and expert advice where appropriate.
- iii) Performance criteria and any upper limits for annual bonuses should be set and disclosed.
- iv) The Remuneration Committee should consider the pension consequences and associated costs to the NHS Foundation Trust of basic salary increases and any other changes in pensionable remuneration, especially for Directors close to retirement. In general, only basic salary should be pensionable.

The review process will be determined and undertaken as identified in the Terms of Reference

D.2.1 The Board of Directors should establish a Remuneration Committee composed of Non-Executive Directors which should include at least three independent Non-Executive Directors. The Remuneration Committee should make available its Terms of Reference, explaining its role and the authority delegated to it by the Board of Directors. Where remuneration consultants are appointed, a statement should be made available of whether they have any other connection with the NHS Foundation Trust.

The Committee is established and Terms of Reference are available. The process when / if appointing remuneration consultants will be in accordance with the Code of Governance.

D.2.2 The Remuneration Committee should have delegated responsibility for setting remuneration for all Executive Directors, including pension rights and any compensation payments. The Committee should also recommend and monitor the level and structure of remuneration for senior management. The definition of 'senior management' for this purpose should be determined by the Board but should normally include the first layer of management below Board level.

The procedure for setting remuneration will be determined and undertaken as identified in the Terms of Reference.