



POLICY FOR DETERMINING THE REMUNERATION OF SENIOR TRUST STAFF

1. Purpose

- 1.1. This policy provides a framework for the Remuneration and Nominations Committee in determining the remuneration of the Chief Executive, Executive Directors and any staff on Very Senior Managers terms and conditions.
- 1.2. The Remuneration and Nominations Committee has delegated responsibility for setting remuneration for the Chief Executive, all executive directors, and any other staff on Very Senior Manager terms and conditions, including pension rights and any compensation payments.
- 1.3. The committee will 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, managers on Very Senior Manager terms and conditions and senior managers on Agenda for Change contracts, bands 8 and above.
- 1.4. The term Executive Director refers to Board Directors only. References to senior managers in this policy also cover non Board directors and certain senior manager posts as above.

2. Policy Statement

- 2.1 This framework is consistent with the Monitor FT Code of Governance and the NHS Act 2006. The Trust will adhere to the following policy in determining levels of remuneration:
- 2.2 Remuneration levels offered will be sufficient to attract, retain and motivate Executive Directors and senior managers of the quality and with the skills and experience required to lead the Trust. To this end, the Trust will benchmark against similar sized Foundation Trusts.
- 2.3 Remuneration levels offered will include a premium, where appropriate, to reflect the additional cost of living within the South East of England. To this end, the Trust will also benchmark with other local employers.
- 2.4 Remuneration levels will be consistent with the experience of the Executive Director or senior manager. Less experienced Executive Directors and senior managers may be remunerated at less than full rate for the role, where a

development plan is agreed to allow them to achieve full competence within an agreed target timeframe.

- 2.5 Remuneration may include a performance related element which will reflect the interests of patients, service users and tax payers, taking account of Trust and individual performance, and the current economic climate.
- 2.6 Where there is potential for a performance related element to be achieved this will be taken into account for all benchmarking and salary review purposes.

3. **Principles for determining remuneration level**

Determination of remuneration levels will be achieved in accordance with the following principles.

3.1 **Annual Review**

Remuneration levels will be reviewed annually and take into account the cost of living increases applied to the NHS as a whole.

3.2 **In-Depth Review:**

Remuneration levels will be reviewed through an in-depth market testing and role-evaluation process as considered necessary by the Remuneration and Nominations Committee or when the Remuneration and Nominations Committee intend to make a substantial change (>15%) to the remuneration of an Executive Director or senior manager. Where the Remuneration and Nominations Committee wish to undertake an in-depth review, they will consult external professional advisers to market-test the remuneration levels of the Chief Executive, Executive Directors and other senior managers.

- 3.3 Such remuneration reviews shall be conducted independently of any performance management reviews of the Board of Directors or senior managers collectively or the Chief Executive, Executive Directors and senior managers individually.

3.4 **Development Review**

Remuneration levels will be set to allow for development of expertise within the role.

Each post will have an agreed salary range, allowing for less experienced Executive Directors or senior managers to be appointed at a rate lower than that for a fully competent individual.

Less experienced Executive Directors and senior managers may (subject to achievement of development and/or performance objectives) have opportunity for an annual movement normally up to 10% from appointment to fully competent, demonstrated against an individual development plan. Any movement within the salary range for the post is consolidated but non contractual and will be at the discretion of the Remuneration and Nominations Committee

3.5 Performance Review

1.5. The Trust supports the principle of payment linked to results against corporate and individual performance, taking into account pay and employment conditions elsewhere in the trust and in the local economy. Any such performance related remuneration elements will align Executive Directors and senior managers' interests with those of patients, service users and taxpayers in the long term. Generally such payments will include a significant proportion reflecting team performance. The committee will agree for each review period, the proportion of such a payment for corporate, team and individual performance, where the contribution for any of these elements cannot be more than 50% of the overall award possible.

1.5.1. Where the Trust does wish to make performance related payments during any given year, the Remuneration and Nominations Committee will devise and circulate a scheme setting out the criteria which, if an individual meets them, will enable an employee to be eligible for the additional payment as per the policy.

1.5.2. Any performance related remuneration elements will normally be within a range of 0 to 15% of basic salary, and the overall cost should be no more than 10% of the total of the eligible Executive Directors and senior managers' basic remuneration. Payment of any performance related remuneration is non contractual and at the discretion of the Remuneration and Nominations Committee.

1.5.3. Any performance related remuneration elements will be non-consolidated and non-pensionable.

1.5.4. The Trust will apply appropriate external benchmarks and take cost implications, overall Trust performance and Monitor risk rating into account before agreeing to award any performance related remuneration elements. Independent and expert advice will be sought where appropriate.

1.5.5. Any entitlement to performance related remuneration elements will lapse in the event of termination of employment prior to completion of the relevant period of service.

3.6 Remuneration Practice Consistency

1.1.1. The Remuneration and Nominations Committee shall also be responsible for ensuring the integrity of and adherence to the Trust's Remuneration Structure, to avoid "out of band" appointments, inequitable payments for similar roles, unsuitable moves through the remuneration structure, and other anomalous behaviours that compromise integrity and fairness.

1.1.2. Any unusual movements in remuneration for Executive Directors and senior managers on Trust terms and conditions and senior managers remaining on Agenda for Change contracts, band 8 and above shall require approval by the Remuneration and Nominations Committee. This includes:

- role reclassifications resulting in a more than 10% increase in remuneration;
- individual movements of more than 1 increment in a year

- out of band payments;
- the payment of recruitment and retention premia;
- the payment of perquisites and benefits in excess of Trust guidelines;
- The payment of mileage rates, and any other policies with a remunerative effect.

4. Procedures

4.1 The Annual Review

- 4.1.1 The Remuneration and Nominations Committee's consideration of remuneration for the Chief Executive, Executive Directors and senior managers on Very Senior Manager terms and conditions shall take place no later than the end of June of each year, and be effective from 1 April of that year. This will note any proposed cost of living increases applied to the NHS as a whole by the pay review bodies representing NHS staff, consistent with the target market position.
- 4.1.2 The annual review may also take into account the results of any surveys of Chief Executives' Executive Director and senior management pay, information regarding any changes in weighting of the responsibilities of individual Executive Directors senior managers and information regarding the full remuneration costs associated with the Board, and senior managers at the discretion of the Remuneration and Nominations Committee
- 4.1.3 The remuneration of non-Board Directors and Senior Managers who have been appointed on Agenda for Change pay scales will only be considered by the committee in so far as there is a proposal which reflects any of the criteria outlined in 3.6 above.
- 4.1.4 Non Board Directors and Senior Managers appointed on an Agenda for Change contract will receive their annual pay uplift in accordance with Agenda for Change arrangements. They are likely to remain within the band appointed until there is either:
- a) A restructure and there is a change in the role necessitating a pay review which may take it out of Agenda for Change;
 - b) Significant pay inflation in the profession represented by that role as evidenced through benchmarking; or
 - c) Exceptional reasons unique to the individual and the role they fulfil.
- 4.1.5 Changing a non-Board Director or senior manager's contract from Agenda for Change should only be undertaken with the approval of the Remuneration and Nominations Committee.
- 4.1.6 The Chairman should propose the Chief Executive's remuneration and the Chief Executive should propose the Executive Directors and senior managers' remuneration.
- 4.1.7 The annual review shall be compiled and reported to the Committee by the Director of HR & OD, who shall confirm compliance with the policy as agreed by the Remuneration and Nominations Committee and make a recommendation for consideration. The Director of HR & OD shall also advise the Committee on whether the circumstances for an in-depth review apply.

4.2 The In-depth Review

- 4.2.1 Before commissioning its own external review, the Trust shall contact the Foundation Trust Network to determine whether an external review on behalf of the sector is being commissioned or taking place. It may also consider materials from other bodies, such as benchmarking studies from the Institute of Chartered Accountants. The Trust may obtain copies of these reviews and surveys to inform its own external review, but will not rely on them entirely.
- 4.2.2 The appointment of an individual/organisation to conduct the external review of Chief Executive, Executive Director and senior manager remuneration shall be made in accordance with the Trust's Standing Financial Instructions. The selection process shall be overseen by the Director of HR & OD and the Chair of the Remuneration and Nominations Committee. The individual/organisation appointed will need to demonstrate appropriate expertise.
- 4.2.3 The commissioned review shall extend further than benchmarking and market-testing of raw data, and may take into account job evaluation, workload factors, and local conditions.
- 4.2.4 The in-depth review shall be compiled and reported to the Committee by the appointed independent external advisor
- 4.2.5 On an exceptional basis, the Remuneration and Nominations Committee may commission an earlier in-depth review in such circumstances as:
- a) Pay levels appearing to have fallen significantly out of line with the Trust's peer group.
 - b) Significant changes having taken place or about to take place affecting the size and complexity of the organisation, such as a potential merger with another organisation or a major capital, service or organisational development. These should be anticipated wherever possible.
 - c) Significant role and responsibility changes having taken place at Board or senior management level.

4.3 Development Review

- 4.3.1 The Remuneration and Nominations Committee's consideration of development reviews for recently appointed Executive Directors and senior managers shall take place no later than the end of June of each year, and be effective from 1 April of that year.
- 4.3.2 The Chairman should propose the review of Chief Executive's remuneration and the Chief Executive should propose the review of Executive Directors and senior managers' remuneration.
- 4.3.3 Eligibility for a development review of remuneration will require the individual to have been in post for a minimum of 6 months during the year under review.

- 4.3.4 Where it has been agreed that a development review will be undertaken, the Committee will ask for documented evidence of development against agreed competencies for the role.
- 4.3.5 The committee will agree the remuneration level for the individual against the agreed range for the post.
- 4.3.6 Where the remuneration levels remain less than the maximum for full competence, a development plan will be agreed with the individual.

4.4 Performance Review

- 4.4.1 The Remuneration and Nominations Committee's consideration of the performance of the Chief Executive, Executive Directors and senior managers to determine any performance related elements of remuneration shall take place no later than the end of June of each year. Performance related elements of remuneration will be assessed against performance during the year ending 31 March.
- 4.4.2 The Chairman should propose the Chief Executive's performance related remuneration and the Chief Executive should propose the Executive Directors and senior managers' performance related remuneration.
- 4.4.3 Eligibility for a performance related elements of remuneration will require the individual to have been in post for a minimum of 6 months during the year under review, and may be calculated based on the proportion of the year in post.
- 4.4.4 Overall Trust performance, Monitor risk rating and CQC rating will be reviewed by the Remuneration and Nominations Committee before agreeing to award any performance related remuneration elements. Unsatisfactory Trust performance, Monitor or CQC risk rating may disqualify any performance related remuneration being awarded.
- 4.4.5 Where it has been agreed that a performance related award may be made, the Committee will ask for documented evidence of performance against Trust targets, individual and team targets and demonstration of behaviours in accordance with Trust values. The committee will agree the proportion of any such award in relation to Trust, individual and team performance, with no one of these factors constituting more than 50% of the possible award.
- 4.4.6 The committee may agree a performance related award normally within a range of 0 – 15% of basic salary. Any award agreed will be at the discretion of the committee.
- 4.4.7 The overall cost of performance related awards should be no more than 10% of the total of the eligible Executive Directors' and senior managers' basic remuneration.
- 4.4.8 Performance related awards will be paid to eligible individuals no later than end of September.