

# Terms of Reference for Remuneration Committee

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SMT Lead: Glenys Stacey,  
Chief Executive

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Confidentiality: **Open**

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## 1. Issue

1.1.1 To review and update the terms of reference of the Remuneration Committee.

## 2. Recommendation

2.1.1 To approve the revised draft terms of reference for the Remuneration Committee (**Appendix A**).

2.1.2 To approve the recommendation that the Remuneration Committee should be a stand alone committee and not part of the Audit Committee.

2.1.3 To approve the recommendation that the membership of the Remuneration Committee should be different from membership of the Audit Committee; and that it should consist of at least three Board members.

2.1.4 To refer the revised terms of reference to the Remuneration Committee for information and adoption.

## 3. Consideration

3.1.1 As part of our Committee and Board structure, we operate a Remuneration Committee. Its remit is to act as a panel that reviews and makes recommendations to the Board on remuneration and benefits structures. Currently it is a sub committee of the Audit Committee. The audit committee exercises independent scrutiny over all the functions of the organisation and this is not readily aligned with a separate function, a Remuneration Committee function that abuts the executive functions of the organisation. The committee

meets at least once a year to discuss the pay remit submission (the amount of pay increase we apply for).

- 3.1.2 We have terms of reference for the committee in place (**Appendix B**). However, in practice it currently only deals with matters in relation to the pay remit submission. It does not review or make decisions on other matters, for example in relation to senior pay and conditions.
- 3.1.3 In most NDPBs, the Remuneration Committee has the role of providing independence to the reward policy and decisions in relation to senior levels. It is not usually a sub committee of the Audit Committee. Membership of remuneration committees vary but tend to be made up of Board Members and the Chief Executive supported by the HR manager in a secretariat role. We do not recommend that the Chief Executive be a committee member but should be the chief officer supporting the committee. We recommend the committee should comprise at least three Board members who are not on the Audit Committee.
- 3.1.4 Committees generally seek external advice on best practice and trends / levels in Director pay before taking decisions. Terms of reference typically include:
- Sign off the organisation's overall reward policy;
  - Setting the parameters for each year's pay review; and
  - Approving pay increases and performance pay for Chief Executive and Directors each year.
- 3.1.5 We think it is timely to clarify the role of the committee to ensure it is fit for purpose and delivering the input we require in order to achieve our objectives in terms of our remuneration strategy.
- 3.1.6 The Board is therefore asked to adopt the new terms of reference at appendix A and to agree that these are formally submitted to a meeting of the committee for information and adoption.

## **4. Risk and financial considerations**

- 4.1.1 The Remuneration Committee is a key method for ensuring appropriate scrutiny and governance of the organisation. It is imperative that the role of the Committee and its members are clear and carried out in line with the terms of reference. If we do not have an effective committee in place there is a risk that we will not be able to promote and maintain the highest standards of probity in the use of public funds.

## **5. Appendices and attachments**

- 5.1.1 Appendix A: Revised draft terms of reference – January 2010
- 5.1.2 Appendix B: Current terms of reference