

Nominations and Remuneration Committee meeting

MEETING
22 November 2018 11:00

PUBLISHED
15 November 2018

**MEETING OF THE NOMINATIONS AND REMUNERATION COMMITTEE
THURSDAY 22 NOVEMBER 2018 at 11.00am**

**2.4 Janssen, Wellington House, 133-155 Waterloo Road,
London, SE1 8UG**

AGENDA

- | | | | | |
|----|-------|--|-----------------|-------------|
| 1. | 11.00 | Welcome and apologies | Laura Wade-Gery | (oral item) |
| 2. | | Introduction from Chair | Laura Wade-Gery | (oral item) |
| 3. | | Declarations of interest
If any member of the Executive Committee has an interest in any of the items on the agenda they should declare this and, if necessary, withdraw from the meeting. | | (oral item) |
| 4. | 11.05 | ██
██ | Ian Dalton | NRC/18/07 |
| 5. | 10.15 | ██ | Kate Moore | NRC/18/03 |
| 6. | 11.30 | Annual pay uplift: non-ESM Monitor staff | Kate Moore | NRC/18/04 |
| 7. | 11.40 | Annual pay uplift: ESM staff | Kate Moore | NRC/18/05 |
| 8. | 11.50 | Individual case | Kate Moore | NRC/18/06 |
| 9. | 11.55 | Any other business | | |
| | 12.00 | Close | | |

To: Nomination and Remuneration Committee

For meeting on: 22 November 2018

Agenda item: 4

Report by: Kate Moore, General Counsel and Interim HR Director
Helen Bullers, Director of People and OD, NHS England (HR lead for Joint Working Programme)

Report on: [REDACTED]

Introduction

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To: Nominations and Remuneration Committee

For meeting on: 22 November 2018

Agenda item: 5

Report by: Kate Moore, General Counsel and Interim HR Director

Report on: Annual pay uplift for non-ESM Monitor staff

Introduction

1. The Civil Service pay guidance for 2018/19 states that Government departments and their ALBs can make average pay awards within the range of 1 to 1.5%. (In previous years, the pay award was capped at 1%).
2. This applies only to non-ESM, Monitor employed staff, since employees operating within NHS Improvement employed by the TDA are on Agenda for Change terms and conditions and have already received their pay uplift as agreed nationally under that framework.
3. The paper for the Executive Committee attached as Appendix 1 explains this situation in more detail.
4. The recommendation to that Committee was to support a 1.5% consolidated salary uplift to all non-ESM staff on Monitor terms and conditions. The total cost of this (with salaries capped at £100k per the pay guidance) is £378,132 and this is affordable within NHS Improvement’s budget.
5. The Executive Committee agreed with that recommendation and the matter now requires consideration by the Nominations and Remuneration Committee.

Decision required

6. The Nominations and Remuneration Committee is requested to endorse the recommendation of the Executive Committee per the preceding paragraph. Subject to that, the plan is to inform staff as soon as possible and for the increase to be effective from the December 2018 payroll.

To: Executive Committee

In correspondence: 13 November 2018

Report by: [REDACTED] – Head of Human Resources

Report on: 2018 Annual Pay Uplift for Staff on Monitor Terms and Conditions

Introduction

1. Following NHS Improvement Integration Monitor still exists as a legal entity and as an employer; and has been operating under NHS Improvement since April 2016.
2. The Civil Service pay guidance 2018 to 2019 states that government departments can make average pay awards within the new range of 1% - 1.5%. NHS Improvement must follow this guidance when determining the annual pay uplift for Monitor employees.
3. This business case only covers employees who continue to be legally employed by Monitor and who remain on Monitor's terms and conditions. The other employees operating within NHS Improvement are employed by the continuing legal entity of the NHS Trust Development Authority (NHS TDA) and are therefore on Agenda for Change (AfC) terms and conditions. All staff employed by NHS TDA have received their pay uplift as agreed nationally under AfC.

Proposed 2018 pay uplift

4. The team has reviewed the Civil Service pay guidance and based on the guidance has run a few scenarios to generate costs, specifically three uplift rates between 1% and 1.5%, and an option of capping any salary uplift to £100k (i.e. for someone on a salary of £99,999 the result of an uplift would be to move them to £100,000 only rather than the full percentage). This has a small difference on total costs. Please see table below for costs.

Uplift rate	1%	1.25%	1.50%
Total cost of uplift (uncapped)	254,647.64	318,309.55	381,971.46
Total cost of uplift capping salaries at £100k	252,668.62	315,507.44	378,132.86

5. The team proposes to give a 1.5% consolidated salary uplift to all staff on Monitor terms. The increase from 1% in 2017 to a proposed 1.5% pay uplift in

2018 is to reflect the limited pay increases for Monitor staff in previous years. In addition, colleagues on NHS TDA terms and conditions have benefited from an AfC refresh which across the majority of pay bands will equate to a 6.5% cumulative increase over a 3-year period. To afford Monitor staff a 1.5% pay uplift will go some way in addressing the perceived unfairness between AfC and Monitor pay. This has been costed by NHS Improvement's finance team and is affordable within expenditure limits.

6. This is fully compliant with the Civil Service pay guidance 2018 to 2019, which recommends an uplift of between 1% -1.5%
7. As per the team's submission in previous years, it will continue with the salary threshold of £100,000, and those earning above this level will not be eligible for this annual uplift, being deemed quasi-very senior managers (ESMs). A separate paper covering pay for these staff will follow – see paragraph 12.
8. This uplift will therefore apply to all those earning up to a salary threshold of £100,000 who are not under performing.
9. It is proposed staff who earn just under £100k and a 1.5% uplift would take them over £100k be included for the purposes of this increase. It would seem reasonable to treat these individuals as non-ESM for this pay uplift and then assuming the same principles are adopted next year they would fall into the ESM pay provisions. They have therefore been included in the calculations above. This is consistent with the approach that has previously been adopted regarding the Monitor annual pay uplift.
10. The 1.5% pay increase would not apply to staff appointed after 1 December 2017 or those not employed on a Monitor contract on or after 31 October 2018.
11. From a total pay-bill of £25.5m for 2018/19 (which is the projected pay bill for those earning less than £100k) the cost of the 1.5% uplift is estimated at £381,972.
12. The Department of Health and Social Care has recently issued guidance on the remuneration of ESMs for 2018. A paper will be submitted to this Committee setting out proposed actions to the Nomination and Remuneration Committee under the ESM guidance. This will apply to both Monitor and NHS TDA ESMs.

Next Steps

13. HM Treasury has delegated the authority to approve ENDPBs Pay Remits to the relevant Secretary of State (SofS).
14. As the Committee will be aware Monitor now recognises three unions (UNISON, MiP and RCN). Civil service guidance states that the organisation should not enter formal negotiations with Trades Unions/Staff Associations until the remit has been formally agreed by the Senior Departmental Sponsor (see 15 below). Whilst the team does not believe this will be a formal negotiation point as the

proposal is to pay the maximum under the pay guidance, engagement with the unions is essential because pay is a key element of terms and conditions that requires union input. HR will work with the unions to receive sign off as quickly as possible to ensure staff receive their uplift in line with the team's proposal for this to be applied in December's payroll. The uplift will be backdated to 1 April 2018.

15. Once this proposed uplift has been agreed by the Nominations and Remuneration Committee and the team has completed union engagement it will send the relevant detail to the Senior Sponsor to arrange final approval.
16. The HR team will carry out appropriate communications with staff.

Committee Action

17. The Committee is asked to approve the proposed pay increase.

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To: Nominations and Remuneration Committee

For meeting on: 22 November 2018

Agenda item: 6

Report by: Kate Moore, General Counsel and Interim Head of Human Resources

Report on: Executive and Senior Managers' pay 2018/19

Introduction

1. This paper asks the Nominations and Remuneration Committee (the Committee) to consider proposals for the 2018/19 pay award for Executive and Senior Managers (ESMs) employed by both Monitor and the TDA.
2. By letter dated 31 October 2018 (see Appendix 1) the Department of Health and Social Care (DHSC) agreed to the following recommendations for staff covered by the ESM Pay Framework:

A. Consolidated pay arrangements

Recommendation 1: *that ALBs implement an average award of 1% for their ESMs;*

Recommendation 2: *that ALBs do not apply awards to ESMs that are currently paid over the Operational Maximum¹ of their Pay Band. If any ALB is intending to allocate awards to staff above the Operational Maximum they must gain approval from DHSC Remuneration Committee in advance [emphasis added];*

Recommendation 3: *that ALBs use their full 1% allocation. If they do not intend to do this, they should provide a written note explaining why to the DHSC Remuneration Committee before their pay award is implemented.*

¹ See Appendix 2: extract from the DH Pay Framework for Executive and Senior Managers in Arm's Length Bodies

B. Non-consolidated performance-related pay (PRP) arrangements:
In line with central government policy, the top 25% of performers in each organisation is eligible for a non-consolidated PRP award for the 2017/18 performance year. The upper limit for individual performance awards remains at 5% of reckonable pay. Responsibility for deciding PRP awards is delegated to ALB Remuneration Committees...

Recommendation 4: *that ALBs apply their full available budget for non-consolidated PRP for the top 25% of performers and that any ALBs who decide not to use their full allocation should provide a written note to the DHSC Remuneration Committee explaining their decision before their PRP is implemented.*

3. This paper deals only with DHSC’s recommendations 1 to 3 above for consolidated pay arrangements. It also considers the position of a small number of NHS Improvement (Monitor) staff on salaries over £100k but who are not ESM grade, and who have not received any pay award this year.

4. [Redacted text block]

Consolidated pay arrangements

5. Further to Recommendation 2 above, it has been determined that 39 ESMs (FTE 35.6) are not currently paid over the Operational Maximum. It is proposed that, of these ESMs, those who met or exceeded their objectives in 2017/18 and who were in post at that role from 1 April 2018 qualify for a consolidated pay award with effect from 1 April 2018. The methodology for calculating this award per previous years is:

- a. calculate the total pay bill for the ESMs in post at 1 April 2018. (The pay bill is the total of gross ESM pay but does not include employer pension contribution and NI);
- b. calculate the average ESM salary;

- c. calculate 1% of the average ESM salary. This 1% of the average ESM salary is translated into a cash sum and it becomes the annual consolidated uplift for the year.

6. The following table shows these calculations for Monitor and NHS TDA employees and for NHS Improvement overall.

Table 1 ESM pay bill at 1st April 2018

	Monitor	TDA	Total
Pay Bill for ESM in Post	£1,652,051	£2,312,648	£3,964,699
FTE No. of ESM	15.30	20.30	35.60
Ave.Salary per FTE	£107,977	£113,924	£111,367
1% of Ave. Salary	£1,080	£1,139	£1,114

7. It is recommended that:

- 1% of average salary (£1,114) is awarded as the consolidated pay award for 2018/19 to full time, eligible ESMs,
- on a pro rata basis to part-timers, and that
- these awards are only applied to those ESMs who were in post as such on 1 April 2018. By and large, ESMs appointed after that date would have been offered a spot salary with some degree of promotion increase and market pay rates would have been taken into account.

8. On this basis the pay bill, inclusive of employer's on costs and those staff referenced in paragraph 13 below, would rise by £52,544.

9. With regard to ESMs whose pay is currently above the Operational Maximum, the Committee is requested to consider whether it wishes to support a case being taken to DHSC's Remuneration Committee seeking approval to such staff also receiving a 1% consolidated pay award.

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Monitor staff on salaries over £100k

13. There are 12 staff on Monitor pay scales 1.1 and 2.2 whose salaries are over £100k. They have not received any pay award this year because central Government pay policy for non-ESM grades applicable to non-NHS bodies (including Monitor) restricted a pay award in 2017/18 to staff earning £100k or less. For TDA staff, however under Agenda for Change terms and conditions, a 1% uplift has been applied to all at Band 9 (broadly equivalent to these Monitor grades) including those earning over £100k.

14. To ensure a level of parity and fairness, and in line with the approach last financial year, it is recommended that a 1% average pay award is applied to these 12 Monitor staff. The additional cost to the pay bill inclusive of on costs is included in the total referred to in paragraph 8 above of £52,544.

Decisions required

15. The Committee is requested to:

- (i) agree a 1% average consolidated pay award of £1,114 for eligible, full time ESMs (that is, in post as at 1 April 2018, with satisfactory performance in 2017/18 and who are not being paid above the operational maximum for their grade);
- (ii) agree a pro-rata award per the preceding paragraph for eligible, part-time ESMs, and
- (iii) [Redacted]

Recommendations

16. The Committee is asked to agree the following recommendations:

- a. that 1% of average salary across the whole organisation is awarded as the consolidated pay award for 2018/19 to eligible full-time ESMs (pro rata to eligible part-timers and to Monitor staff who earn £100k or more).
- b. that those eligible Monitor staff and ESMs in VSM posts on 1 April 2018 should be eligible for the consolidated pay award; and
- c. that the award should be effective from 1st April 2018 and paid in arrears through payroll at the earliest opportunity.



**Department
of Health &
Social Care**

[REDACTED]
Director of Human Resources
Department of Health and Social Care
1st Floor North
39 Victoria Street
London
SW1H 0EU

Tel: [REDACTED]
[REDACTED]

31 October 2018

Dear Chair

Arm's Length Bodies Executive and Senior Managers Pay 2018/19

I am writing to advise you of the arrangements for the payment of the 2018/19 consolidated pay award and the non-consolidated performance-related pay (NCPRP) awards in respect of the 2017/18 performance year. These arrangements cover Executive and Senior Managers (ESM) in Arm's Length Bodies (ALBs), including staff in PHE and MHRA on ESM terms.

Prior to 2018, recommendations on senior pay in the ALBs were made by the Senior Salaries Review Body (SSRB) as part of their recommendations to Government on senior pay.

In 2017, SSRB recommended that DHSC ALBs ESMs be removed from the scope of SSRB, while a review was undertaken to determine if NHS Very Senior Managers (VSMs) should be included in the SSRBs remit. This recommendation was accepted by the Government and this review is underway.

For the 2018/19 ESM pay review, recommendations on ALB ESMs consolidated and non-consolidated pay were considered by the DHSC Remuneration Committee.

These were broadly aligned to the SSRB recommendations for Senior Civil Service (SCS) pay in 2018/19 and to the recommendations that the SSRB made on ESM pay in 2017, where applicable. As the SSRB provides recommendations to Government on senior pay generally, this was considered to be the most appropriate benchmark for assessing potential increases for ESMs in 2018/19.

The DHSC Remuneration Committee agreed to the following recommendations for staff covered by the ESM Pay Framework.

Consolidated Pay Arrangements

Recommendation 1 – that ALBs implement an average award of 1% for their ESMs.

Recommendation 2 – that ALBs do not apply awards to ESMs that are currently paid over the Operational Maximum of their Pay Band. If any ALB is intending to allocate awards to staff above the Operational Maximum they must gain approval from DHSC Remuneration Committee in advance.

Recommendation 3 – that ALBs use their full 1% allocation. If they do not intend to do this they should provide a written note explaining why to the DHSC Remuneration Committee before their pay award is implemented.

Non- Consolidated Performance Related Pay Arrangements

In line with central government policy, the top 25 per cent of performers in each organisation is eligible for a non-consolidated PRP award for the 2017/18 performance year. The upper limit for individual performance awards remains at 5 per cent of reckonable pay.

Responsibility for deciding PRP awards is delegated to ALB Remuneration Committees. The ALB Remuneration Committee may make its own decisions on the numbers and amount of awards, subject to the conditions above.

Annex A provides more detail about the eligibility and application of Performance Related Pay.

Recommendation 4 – that ALBs apply their full available budget for non-consolidated performance related awards for the top 25 per cent performers and that any ALBs who decide not to use their full allocation should provide a written note to the DHSC Remuneration Committee explaining the rationale for their decision, before their pay award is implemented.

If you have any queries about the content of this letter please contact [redacted] [redacted] Head of Reward and Employee Relations, Department of Health and Social Care [redacted].

Yours sincerely,

[redacted signature block]

[redacted name block]

Director of Human Resources

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Annex A

Performance Related Pay Arrangements**Eligibility**

- Performance Related Pay (PRP) awards are restricted to the top 25 per cent performers of the organisation's ESMs for 2017/18;
- The PRP award is capped at a maximum of 5 per cent of an individual's reckonable pay and it is recommended that the level of award is reflective of the individual's performance;
- where an ALB has three ESMs or fewer, one ESM may be eligible for an award;
- ESMs that have been in post for at least three months during the period 1 April 2017 to 31 March 2018 are eligible to be considered for 50 per cent of the recommended PRP; and
- ESMs that have been in post for the majority of the reporting period (i.e. six months or more) are eligible to be considered for the full PRP.

Performance Related Pay – Q&A**Q.1 How do individual organisations identify the top 25 per cent of performers?**

The performance of individual ESMs should be assessed as usual, in line with the organisation's objective setting and performance appraisal process; and for the purposes of this award, the individual should be marked as an A, B, or C performer. (A=Exceeded; B=Met; C=Not Met).

Within each organisation, eligible ESMs should then be ranked on an assessment of relative performance and the top 25 per cent should be identified.

Q.2 Who does the 25 per cent quota include?

All employees and secondees who were in post for three months or more during the reporting period.

Q.3 Are vacant posts included in the 25 per cent quota calculation?

Posts that have been vacant throughout the reporting year should not be counted.

Q.4 How is the award calculated?

The upper limit on individual awards is 5 per cent of reckonable pay. ALB Remuneration Committees may recommend variable awards within this limit.

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4. Core Elements of The Executive and Senior Manager Grading and Pay Framework

- 4.1. The new pay framework clusters roles into four ESM grades. These four new ESM grades will each have a broad pay band.
- 4.2. This approach seeks to cluster roles at similar levels in the management hierarchy of the larger ALBs while also being able to reflect the responsibilities of Executive Director and CEO roles of the smaller organisations.

Role Grade	Pay Bands		
	Minimum	Operational max	Exception Zone (Max)
1	£90,900 ¹	£113,625	£131,300
2	£131,301	£146,450	£161,600
3	£161,601	£176,750	£191,900
4	£191,901	£207,050	£222,200

- 4.3. The key elements of the new pay framework are:
- establishment of four ESM grades with accompanying pay bands;
 - job roles will continue to be evaluated independently by BSA²
 - an Operational Maximum (OM)-the mid-point of pay band has been established within each of the four pay bands;
 - strong market based evidence will be required to pay more than the OM-Exception Zone (EZ);
 - there are no provisions under this framework for Recruitment and Retention Premia (RRP); and
 - the department will work with Civil Service Employee Policy and NHS Improvement to gather pay benchmarking data which will provide an evidence base which would be used by all ALBs to ensure consistency of approach across the ALBs; and
 - new guidance and pay approvals process for setting recruitment salaries.

¹ With the approval of the DH Remuneration Committee, where organisations operate Agenda for Change and staff are employed on NHS terms and conditions, for advertising purposes ALBs may use £100k as the band minimum for Grade 1.

² BSA's role was independently reviewed which concluded it undertook job evaluation in a professional and consistent fashion.

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Improvement

To: Nomination and Remuneration Committee

For meeting on: 22 November 2018

Agenda item: 7

Report by: Kate Moore, General Counsel and Interim Head of Human Resources

Report on: [Redacted]

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Report by: Kate Moore, General Counsel and Interim HR Director

Report on: [Redacted]

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