

MINUTES OF PRIVATE MEETING OF REMUNERATION AND APPOINTMENTS COMMITTEE

Members

Derek Bray (Chair), Alison White (minutes), Stephen McCusker, Ian Muir

The Committee met in private by video-conference on 22 April 2020.

Conflicts of interest

Conflicts of interest were noted as follows:

- The Chair of the Board in respect of any decisions relating to the Board Chair's remuneration;
- Board non-executives in respect of any decisions relating to Board non-executives' remuneration;
- The independent member in respect of any decisions relating to independent members' remuneration.

The Committee was careful to ensure that its decision-making was not influenced by these conflicts, and members stood aside from decisions where they were conflicted.

Minutes

The Committee approved the minutes of the last meeting which had taken place on 15 April.

Non-Executive remuneration

The Chair of the Board had compiled and circulated a consolidated paper which set out the background, associated proposals and cost of increases (compiled by the Head of Finance and Resources) to remuneration for a range of non-executive positions. The Committee noted that the comments of the Chief Executive had been considered in preparing the paper. The Committee reviewed the paper, asked for a couple of minor changes and then approved it for recommendation to the Board (with due regard to the management of the conflicts outlined above).

Staff remuneration

The Chair of the Board had compiled and circulated a draft remuneration policy and overview paper for the Board, which the Committee discussed.

The Committee made the following points and asked they be appropriately reflected in the policy and overview:

- The current national crisis, and its likely impact on the economy, must be taken into consideration in any decisions made about remuneration in the foreseeable future;
- Attracting talent must be disaggregated from association with higher pay;

- More work should be done about the components of the psychological contract and how this should be communicated to employees and potential employees (the Committee's early view is that it might look something like: *"the ARB provides interesting work, development opportunities, fair reward and one day you will leave"*);
- An appropriate level of staff turnover is both desirable and necessary;
- Remuneration should be based on a total cash view, communicated along the lines of: *"base pay and pay at risk, where the total matches the market (relevant median). If you don't perform, your total pay will be below the market"*;
- Performance (group and individual) must be assessed against quantified measures;
- The Board should retain ownership of appointment and remuneration of the top team (due to its proximity to the Board), as well as the Chief Executive, as is the case across other organisations;
- The approach to staff performance evaluation, appraisal and moderation needs to be considered, and quite possibly, strengthened. Managers need to be trained appropriately.

The Committee noted this will require a transition in thinking, changes to delegated authority and careful communications.

The Chair was asked to update the papers accordingly.

The Committee reviewed the draft terms of reference for a specialist project in regard to organisation design, job evaluation methodology and total reward, proposed by the independent member using his expert knowledge of these subjects. The Committee asked for a fuller explanation of organisational context to be included in order to limit the cost and ensure proportionality for the organisation's size, but otherwise approved the terms of reference, for recommendation to the Board. The Committee anticipated that the budget for this exercise would be in the region of £5k.

The Committee agreed to review and approve the revised staff proposals in correspondence-another meeting was not expected to be required before presentation to the Board.

Implementation

The Committee noted that further work would need to be done by the Committee and discussed with the Chief Executive in terms of implementation, especially in terms of any pay increases being contemplated in the current year. The Committee noted that it would not be realistic to expect the organisational design project to be completed before the end of 2020, or implemented earlier than 2021.

These matters should be considered by the Committee at its next meeting, as well as asking for a presentation on the current approach to staff performance review, evaluation and moderation.

DRAFT