

Paper (12) 26 ANNEX A**PROTECT****Minutes of a meeting of Remuneration and Nomination Committee on 30 November 2011****Date:** 30 November 2011**Time:** 10.00 – 12.30 pm**Venue:** Victoria House, Southampton Row, London WC1B 4AD**Present:** William Moyes Chairman
Edward Nally
Nicole Smith**In attendance:** Edwin Josephs Director of Finance and Services (*by phone*)
Chris Kenny Chief Executive
Julie Myers Corporate Director**Item 1 – Welcome and apologies**

1. The Chairman welcomed those present and in attendance to the meeting.
2. There were no apologies for absence from Members of the Committee.

Item 2 – Declarations of interests etc.

3. There were no declarations of interests.

The Chairman moved that items 10, 11 and 12 be moved up the agenda and that items 10 and 11 be taken together

Item 10 – Terms of Reference (ToR) of RNC**Item 11 – Draft programme of business**

4. The Chairman introduced discussion of the ToR by noting that the time appeared right to check that the remit of the RNC was still valid. He had noticed concerns that the current ToR did not match the work of the Committee in practice, most notably in relation to nominations. It was agreed that the Committee should consider whether its ToR should capture a role in relation to advising on the skills mix of the Board and succession planning for the Board (at the Chairman's request), Office for Legal Complaints (OLC) and Consumer Panel.

5. On HR related matters, members noted and agreed that RNC was not a 'management committee' but rather it presented an opportunity for engagement between Non-Executive Directors (NEDs) and the executive on management issues, with RNC providing advice rather than decisions, and ensuring Board visibility.
6. The Committee noted that the final content of the ToR would impact on the Committee's draft work programme.
7. The following issues arose in discussion:
 - That the ToR already authorised the Committee to procure, at the expense of LSB, such independent external advice it required, in addition to any already provided by the Executive, subject to budgets agreed by the Board. Any spend would also need to be in line with Managing Public Money requirements;
 - That the cycle of meetings would be finalised once the final ToR and the RNC's role in relation to nominations and appointments were clear.

Action

- (12) 01 – To re-circulate the Board paper on the schedule of re-appointments.
- (12) 02 – The Executive to re-draft the ToR.

7. **The Committee resolved to discuss a revised draft of Terms of Reference and future work programme at its next meeting.**

Item 12 – Any other business

8. The Chief Executive (Chris Kenny) advised that recent changes in the operational structure of the LSB required clarification of the individual roles that RNC would review pay arrangements for. Historically, RNC had made recommendations to the Board on the CEO and agreed arrangements for members of the Senior Management Team (SMT). The new structure introduced a smaller Executive Management Team (Chief Executive, Strategy Director and Corporate Director) and a general policy group comprising a number of colleagues from the 'old' SMT and others.
9. [REDACTED]
10. He suggested that work may be required from Hay (or other similar consultants) to look at any need for re-valorisation across the organisation more generally and that the exercise may also reveal a 'threshold' above which RNC should be asked to review and agree remuneration arrangements.
11. The Committee signalled broad agreement to the proposal in paragraph 9 on the

assumption that any further contractual changes arising from any revalorisation would come to RNC in the usual way as required under the ToR.

12. The Committee asked the Executive to ensure that equality concerns were part of any revalorisation exercise.

Item 3 – Minutes: 30 November 2010 and 2 September 2011

13. The Committee resolved to agree the minutes of the meeting held on 30 November 2010 (noting that they had previously been submitted to the Board) and 2 September 2011 and to submit them for signing as an authorised record to the Chairman.

Item 4 – Report of action points

14. The Committee resolved to note the Report of action points.
15. In discussion, the Committee noted that Edward Nally had received a satisfactory induction although as an organisation the LSB needed to be aware of its heavy use of acronyms and jargon. It was also suggested that any future new member should also be helped to have more direct access to fellow Board members in advance of their first meeting. It was noted that Elisabeth Davies had also been offered additional induction to support her appointment as Interim Consumer Panel Chair.
16. The question of whether the Board should have a Senior Independent Director was discussed. The need to discuss this with the Board Chairman before further consideration was noted.
17. The Committee noted the annual report of expenses. In discussion it was noted that:
 - The OLC are aware of the LSB's expenses policy;
 - The OLC would have an additional member from February 2012;
 - The expenses form should be reviewed.

Action

- (12) 03 – The executive to review the expenses form.

Item 5 – Paper (11) 01 (RNC): Benefits allowance

18. Chris Kenny (Chief Executive) introduced a paper recommending the continuation of the payment of an additional (but non-consolidated) benefits allowance of 5 percent from 1 March 2012 and making the payment contractual. This would be combined with the current contractual 5% benefits allowance ie so that colleagues would receive a 10% contractual but non-consolidated benefits allowance.
19. The Committee noted that:
 - the additional benefits allowance had been paid to colleagues for the past two

- years;
- that the reason behind it being non-contractual from the outset had been short-term affordability in light of unforeseen budget variation, a risk which had diminished;
- that there did appear to be evidence of staff leaving citing pay concerns as one factor in their decision but that generally LSB appeared to remain attractive as an employer;
- that future papers needed to be clearer as to the business case for recommendations;
- the failure to continue the allowance would equate to a pay cut.

The Committee resolved to agree to make the payment of an additional (but non-consolidated) benefits allowance of 5 percent contractual from 1 March 2012 ie that staff would receive a 10% benefits allowance in total.

Item 6 – Paper (11) 02 (RNC): Review of pension governance

20. Nicole Smith declared that as a fee-paid Financial Ombudsman but was a contractor with the Financial Ombudsman Service but was not aware of any issues relating to Scottish Widows by virtue of that role.
21. The Corporate Director (Julie Myers) introduced a paper about the annual review of pension governance.
22. The Committee were advised of Barnett Waddingham's role in preparing the governance report which included reviewing financial stability, scheme performance and annual management charges. The Committee noted that RNC's current ToR required the Committee to 'agree, monitor and review the pensions' arrangements for LSB colleagues including approving the Schedule of Contributions'. In helping to discharge that responsibility the Committee noted that:
 - the 2011 governance review had just been received by the executive and would be circulated to RNC with the minutes of the meeting for information;
 - that the executive group responsible for reviewing the governance report would need to be reviewed pending the departure of the General Counsel.

Action

(12) 04 – JM to circulate 2011 governance review with minutes of the meeting.

Item 7 – Paper (11) 03 (RNC): Colleague engagement survey

23. The Director of Finance and Services (Edwin Josephs) introduced a paper designed to stimulate thinking about the introduction of a colleague engagement survey.
24. The Committee noted that the issue had been discussed at a previous RNC where the Committee had indicated that it would be interested to see proposals. Whilst the Committee broadly supported the idea of a survey, they raised the following points in

discussion:

- it would be important to get the methodology right and that there were concerns about the survey being run in-house;
- it was important to know what staff were interested in – not just what management were interested in;
- colleague involvement in the design and methodology for the survey would be useful.

25. The Committee agreed that it would also be useful to re-visit the work done by the Board at the time of LSB establishment around cultural values.

Action

(12) 05 – To present an update on the survey to the next meeting of the Committee.

Item 8 – Paper (11) 04 (RNC): Review of policies

26. The Corporate Director introduced the paper that contained a number of policies on which RNC advice was sought before finalisation and issue to colleagues for review and adoption. The RNC was reminded that at earlier meetings it had indicated that all HR policies should follow statutory baselines where payments were due eg maternity. On preparing the policies, the executive had come to the view that such an approach was not always in accordance with the LSB's aspirations as an employer and thus RNC's view was sought, in particular, on enhancements to statutory minima.
27. The Committee advised the executive that the submissions would have benefited from comprehensive business cases to support proposals.
28. In discussion, the RNC discussed whether the LSB should compare itself to other public sector organisations, the approved regulators or legal businesses and the arguments for and against each. It was noted that the original LSB remuneration approach, based on work undertaken by Hay had presumed LSB would be pitched 'mid-market'.
29. The RNC advised:
- that it was content with the maternity policy proposals;
 - that it was content with the paternity policy proposals;
 - that it was content with the adoption policy proposals with the proviso that it should be absolutely in line with maternity and paternity policies;
 - that whilst it was content with the compassionate leave policy proposals there may be merit in either giving some guidelines or ensuring that such requests were centrally monitored to ensure a broadly consistent approach across line managers;
 - that it was content with the flexible working proposals but noted that the drafting may need to be amended to reflect more clearly that trial arrangements may be considered.

Item 9 – Board member skills audit

- 30. The Corporate Director requested the RNC’s views on whether, and if so, how, a ‘skills audit’ for Board members should be conducted. This was an idea that had emerged in the most recent Board evaluation exercise.

- 31. The following points arose in discussion:
 - that it would be important to articulate what any audit was trying to achieve ie was it what the Board should have or what the Board has got.
 - that a ‘desirable versus essential’ categorisation might help;
 - that timing may be opportune bearing in mind the Board member recruitment schedule and what may emerge from Triennial Review;
 - that the exercise may also consider whether or not the Board should have (additional) Executive Directors.

The Committee agreed to discuss the idea further once the outcome of the Triennial Review was clear.

Item 13 – Date of the next meeting

- 32. The Committee would next meet on a date and at a time to be confirmed. The venue would be LSB’s offices at Victoria House, Southampton Row, London WC1B 4AD.

JM

Signed as an accurate record of the meeting

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Date

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