

<b>To:</b>	Legal Services Board	
<b>Date of Meeting:</b>	30 May 2012	<b>Item:</b> Paper (12) 38b

<b>Title:</b>	Annual Report of the Remuneration and Nomination Committee 2011/12	
<b>Author / Introduced by:</b>	Bill Moyes, Chairman of the Remuneration and Nomination Committee Holly Perry, Corporate Governance Manager holly.perry@legalservicesboard.org.uk / 020 7271 0070	
<b>Status:</b>	Unclassified	

<b>Summary:</b>
<p>The Terms of Reference (<b>ToR</b>) for the Remuneration and Nomination Committee provide that:</p> <p><i>The Chairman of the Committee will present to the meeting of the Board that is scheduled to consider and to agree the LSB's Annual Report and Accounts for the preceding financial year a written report about the activity of the committee relevant to that financial year</i></p> <p>This paper presents a draft report about the activities of the Remuneration and Nomination Committee in the period 1 April 2011 to 31 March 2012.</p> <p>This report is intended to inform the LSB's Annual Report and Accounts 2011/12 – in particular by supporting the Governance Statement – and represents governance best practice.</p> <p>The Committee concludes that the its activities during the year under report, including the rigorous challenge of the Executive, were sufficient to provide assurance to the Board that there were effective arrangements in place in relation to remuneration and nomination.</p> <p>The report makes reference to the fundamental review of the Committee's Terms of Reference at its 27 April 2012 meeting, and that the Committee will work during 2012/13 towards fulfilling its new objectives and work programme. The Terms of Reference for the Board's review and approval are item 17, <b>Paper (12) 45b</b> on this meeting's agenda.</p>

<b>Risks and mitigations</b>			
<b>Financial:</b>	N/A.		
<b>FoIA:</b>	N/A.		
<b>Legal:</b>	N/A.		
<b>Reputational:</b>	N/A.		
<b>Resource:</b>	N/A.		
<b>Consultation</b>	<b>Yes</b>	<b>No</b>	<b>Who / why?</b>
<b>Board Members:</b>	✓		Remuneration and Nomination Committee
<b>Consumer Panel:</b>		✓	N/A.

<b>Others:</b>	Sandra Jenner (external adviser to the RNC)
<b>Recommendation(s):</b>	
The Board is invited to note the report about the activities of the Remuneration and Nomination Committee in 2011/12.	

## LEGAL SERVICES BOARD

<b>To:</b>	Legal Services Board		
<b>Date of Meeting:</b>	30 May 2012	<b>Item:</b>	Paper (12) 38b

### Annual Report of the Remuneration and Nomination Committee 2011/12 Executive Summary

#### Recommendation(s)

The Board is invited to note and to comment on the written report about the activities of the Remuneration and Nomination Committee during 2011/12.

#### Overview

1. The principal responsibilities of the Remuneration and Nomination Committee (**the Committee**) are to provide challenge and support, on behalf of the Board and the Chief Executive (as Accounting Officer) to the creation, implementation and review of the organisation's resourcing and reward strategies, in accordance with its agreed Terms of Reference.
2. The Committee's Terms of Reference were subject to a fundamental review in April 2012. The Terms of Reference against which the Committee operated in 2011/12 are attached at **Annex A**. The Committee's updated Terms of Reference, for formal approval and agreement by the Board are considered at agenda item 17, Paper (12) 45b on today's agenda.
3. This paper presents a written report about the activities of the Committee in the period 1 April 2011 to 31 March 2012, for the information of the Board. The report has been agreed by the Committee.
4. This paper is intended to inform the production of LSB's Annual Report and Accounts 2011/12 – in particular by supporting the Governance Statement – and represents governance best practice.

#### Membership and attendees

5. The Chairman and other Members of the Committee are appointed by the Board, in accordance with Legal Services Act 2007 and the Committee's ToR. The quorum for a meeting of the Committee is three Members, attending in person or, in exceptional circumstances, by other means.
6. The Members of the Committee in 2011/12 were:
  - Terry Connor (Member and Chairman from 1 April to 31 August 2011)
  - Bill Moyes (Member and Chairman from 1 September 2011)
  - Nicole Smith
  - Andrew Whittaker (Member until 31 August 2011)
  - Ed Nally

7. The Committee was supported in its work by an external advisor, Sandra Jenner, who is appointed under contract. Attendees included also:
  - Chris Kenny (Board Member and Chief Executive)
  - Julie Myers (Corporate Director)
  - Edwin Josephs (Director of Finance and Services)
8. The Secretary to the Committee was the Board Secretary to October 2011, and the Corporate Governance Manager from December 2011. In the period between October and December 2011, the Corporate Director acted as Secretary to the Committee.

### **Compliance with Terms of Reference**

9. The ToR to which the Committee worked during 2011/12 are attached at **Annex A**. These require the Committee to meet at least twice a year. In the absence of business, the Committee agreed to meet formally only on 2 September and 30 November 2011. A meeting was scheduled for 12 March 2012 to consider a fundamental review of the Committee's Terms of Reference however this meeting was postponed to 27 April, and therefore falls out of the year under report. In addition, the Committee considered items of urgent business by correspondence.
10. Inevitably, the Committee met more frequently in the early days of the LSB as for example, terms and conditions etc, were being developed. Over time, the Committee has met less frequently and during 2011/12, this led to considerations around whether or not the Committee was performing an 'active' enough role. This led to a number of discussions around the role of Committee and its ToR, which were the basis of the fundamental review of the Terms of Reference which took place on 27 April.
11. A register of attendance at meetings is attached at **Annex B**.
12. An informal review of the performance of the Committee confirmed that it discharged adequately its responsibilities in 2011/12 in relation to remuneration and nomination, save for the need to review in some detail the operation of the Terms of Reference and ways of working of the Committee.
13. The Committee operated in a manner considered to be compliant with its ToR. For example:
  - all meetings were quorate
  - business conducted by correspondence followed due process
  - the Committee discharged adequately its responsibilities.

### **Main activities**

14. The main activities of the Committee in 2011/12 related to:
  - recommending the continuation of the payment of an additional (but non-consolidated) benefits allowance in 2012/13 to colleagues (not including

the Chief Executive) and to confirming that the payment would become contractual

- a report on performance management in the LSB
- the review of a suite of employment policies (including: maternity policy, paternity policy, parental leave, adoption leave, compassionate leave, flexible working)
- early consideration of a colleague engagement survey
- a review of the governance of the LSB pension scheme based on a report by the LSB's independent pensions advisers, Barnett Waddingham
- consideration of proposals around the LSB's approach to redundancy payments in 2011/12.

15. The Committee also considered items of urgent business by correspondence, including recommending the continuation of the payment of an additional (but non-consolidated) benefits allowance in 2011/12 to the Chief Executive.

## **Performance and reporting**

### *Performance*

16. An informal review of the performance of the Committee confirmed that it discharged adequately its responsibilities in 2011/12, including in relation to remuneration and nomination.
17. In relation to nomination, the Chairman of the Board discussed with all Members of the Committee (and all other Board Members) on a one-to-one basis the performance of the Board (collectively and individually), his own performance as Chairman, and Members' willingness to be re-appointed on the expiry of their term in 2011/12 to the Board.

### *Reporting*

18. The minutes and written reports of meetings of the Committee were presented to the subsequent meeting of the Board, supplemented as required by a verbal update from the Chairman of the Committee.

## **Forward look to 2012/13**

19. The Committee will ensure that it operates in accordance with its revised ToR, as agreed at the Committee's 27 April meeting, including by meeting at least twice per year.
20. In addition, the Committee will endeavour to improve further its own performance, including by conducting a formal review of its own performance and effectiveness, to be informed by the annual LSB evaluation and review process for 2012.

## **Conclusion**

21. The Committee concludes that its activities in 2011/12, including the rigorous challenge of the Executive, were sufficient to provide assurance that there were effective arrangements in place in relation to remuneration and nomination to the Board.

22. The Committee is grateful for the support and advice it received in 2011/12 from Sandra Jenner, Julie Myers and other members of the Executive.

10.04.12

## ANNEX A

### Remuneration and Nomination Committee Terms of Reference

#### Responsibilities

- 1) The Board has established a Remuneration and Nomination Committee<sup>1</sup> to consider (and, where appropriate, to agree) such matters as may be referred to it by the Board or the Chief Executive or such other relevant matters as the Committee may determine, in accordance with these Terms of Reference<sup>2</sup>.
- 2) In relation to remuneration, these matters may include, but are not limited to:
  - a) agreeing, monitoring and reviewing the terms and conditions of service (including remuneration, pensions, allowances, gratuities and compensation) of the Chief Executive and such other LSB colleagues as agreed between the Chairman of the Committee and the Chief Executive<sup>3</sup>;
  - b) monitoring and reviewing the process for determining the terms and conditions of employment (including remuneration, pensions, allowance, gratuities and compensation) of all other LSB colleagues;
  - c) monitoring and reviewing the process for determining the terms and conditions of all other appointments (including those in relation to Committee advisors<sup>4</sup>, the Consumer Panel<sup>5</sup> and Office for Legal Complaints<sup>6</sup>, but excluding ordinary Board Members<sup>7</sup>);
  - d) agreeing, monitoring and reviewing the pension arrangements for LSB colleagues, including approving Schedules of Contributions; and
  - e) monitoring and reviewing the process for linking the performance of all LSB colleagues to reward.
- 3) In relation to nomination, these matters may include, but are not limited to:
  - a) advising the Chairman of the Board about appropriate recommendations in respect of the composition (including experience, knowledge and skills), size and structure of the Board, and the succession plan for Board Members, to the Lord Chancellor;
  - b) monitoring and reviewing the induction process for ordinary Board Members;
  - c) advising the Chairman of the Board about appropriate recommendations in respect of the appointment of Executive Board Members to the Lord Chancellor<sup>8</sup>; and
  - d) monitoring and reviewing the talent management strategy and succession planning for those LSB colleagues as agreed between the Chairman of the

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<sup>1</sup> Legal Services Act 2007, Schedule 1, para. 20(1).

<sup>2</sup> *Ibid.*, Schedule 1, para. 21.

<sup>3</sup> *Ibid.*, Schedule 1, para. 15-17.

<sup>4</sup> *Ibid.*, Schedule 1, para. 19.

<sup>5</sup> *Ibid.*, Section 8(6).

<sup>6</sup> *Ibid.*, Schedule 15, para. 10-12.

<sup>7</sup> *Ibid.*, Schedule 1, para. 1(2), defines 'ordinary' Board Members.

<sup>8</sup> *Ibid.*, Schedule 1, para. 1(1)(c), provides that 'ordinary' Board Members are appointed by the Lord Chancellor.

Committee and the Chief Executive.

- 4) These matters will also include the outcomes of the Committee's periodic reviews of its own effectiveness and these terms of reference.

### **Authorities**

- 5) The Committee is authorised by the Board:
  - a) to consider any activity or topic covered by these Terms of Reference;
  - b) to demand any information it requires from LSB colleagues, all of whom are directed to co-operate with any request for such information; and
  - c) to procure at the expense of LSB external HR, legal or other independent professional advice or training, subject to budgets agreed by the Board.
- 6) The decisions of the Committee in respect of the terms and conditions of service of the Chief Executive are subject to the consent of the Board.

### **Membership**

- 7) The Committee and its Chair will be appointed by the Board from amongst its ordinary Board Members<sup>9</sup>.
- 8) A majority of the Committee's Members will be lay persons<sup>10</sup>.

### **Meetings**

- 9) The Committee will meet at least twice a year.
- 10) The quorum for a meeting of the Committee will be three Members<sup>11</sup>, attending in person or, in exceptional circumstances, by telephone, video-conferencing facility or email.
- 11) The Chief Executive and the Corporate Director will attend meetings of the Committee. The Chairman of the Board and other Board Members will have a standing invitation to attend meetings of the Committee. Other LSB colleagues will attend meetings at the invitation or direction of the Committee or the Chief Executive.
- 12) The Committee will have the right to direct those attending a meeting to withdraw to facilitate the open and frank discussion of particular matters. In particular, no Board Member or LSB colleague will be present during the discussion of his or her own performance or terms and conditions of appointment, service or employment.
- 13) A Board Member may request the Chairman of the Committee to convene an additional meeting of the Committee.
- 14) The Board Secretary will be secretary to the Committee.

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<sup>9</sup> *Ibid.*, Schedule 1, para. 20(3), restricts the membership of the Committee only to Board Members.

<sup>10</sup> *Ibid.*, Schedule 1, para. 20(4).

<sup>11</sup> *Ibid.*, Schedule 1, para. 21(2).



## **Reporting**

- 15) The minutes and papers of each meeting of the Committee will be circulated to the Board.
- 16) The Chairman of the Committee will present a written report about each meeting of the Committee to the next available meeting of the Board.
- 17) The Chairman of the Committee will present to the meeting of the Board that is scheduled to consider and to agree the LSB's Annual Report and Accounts for the preceding financial year a written report about the activity of the committee relevant to that financial year.

Approved by the Board on 30 November 2011

## ANNEX B

### Register of attendance at meetings of the Committee

	2 Sep 2011	30 Nov 2011
<b>Members</b>		
Terry Connor	N/A	N/A
Bill Moyes	✓	✓
Nicole Smith	✓	✓
Andrew Whittaker	N/A	N/A
Ed Nally	✓	✓
<b>Advisors</b>		
Sandra Jenner	x	x
<b>Attendees</b>		
Chris Kenny	✓	✓
Julie Myers	✓	✓
Edwin Josephs	✓	✓

✓ Present

x Apologies submitted