

To:	Legal Services Board	
Date of Meeting:	30 May 2012	Item: Paper (12) 45b

Title:	Revised Terms of Reference for the Remuneration and Nomination Committee for Board approval
Introduced by:	William Moyes, RNC Chairman
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Status:	PROTECT

Summary:
<p>This paper proposes a revised version of the Terms of Reference (ToR) of the Remuneration and Nomination Committee (RNC), following discussions at the Committee's meeting on 27 April 2012.</p> <p>The proposal is to separate out more clearly the remuneration responsibilities and the nomination responsibilities. The proposal is for the Board Chairman to participate when the Committee sits to consider nomination issues.</p> <p>In addition, the ToR have been expanded to cover agreed ways of working, communication and confidentiality expectations between Committee members and LSB executives.</p> <p>The revised ToR for the Committee are attached at Annex A.</p>

Recommendation(s):
The Board is invited to review and approve the revised Terms of Reference for the Remuneration and Nomination Committee.

Consultation	Yes	No	Who / why?
Board Members:	✓		All RNC members and the LSB Board Chairman has been consulted
Consumer Panel:		✓	
Others:	Only staff attending RNC are aware of this proposal.		

Risks and mitigations
Financial: N/A.
Legal: N/A.

Reputational: N/A.
Resource: N/A.

Freedom of Information Act 2000 (Foi)		
Para ref	Foi exemption and summary	Expires
	N/A	

LEGAL SERVICES BOARD

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Remuneration and Nomination Committee Terms of Reference

Summary

1. This paper proposes a revised version of the Terms of Reference (ToR) of the Remuneration and Nomination Committee (RNC), following discussions at the Committee's 27 April 2012 meeting.
2. The proposal is to separate out more clearly the Remuneration responsibilities and the Nomination responsibilities. The proposal is for the Board Chairman to participate when the Committee sits to consider nomination issues. The ToR have been expanded to cover agreed ways of working, communication and confidentiality expectations between Committee members and LSB executives.
3. The revised ToR for the Committee is attached at **Annex A**.

Background

4. The Board agreed initial Terms of Reference (ToR) for a Remuneration and Nomination Committee (**the Committee**) at a meeting in October 2008. The ToR were subsequently amended in April 2010 to:
 - a) clarify the primacy of the Lord Chancellor in appointing executive Board members, and
 - b) to remove the Committee's responsibility for ensuring the evaluation of performance of Board members and advising the Chairman about re-appointment decisions.
5. Since that time, the Committee has discussed whether or not it is operating in accordance with its ToR and whether any amendments are required to clarify, in particular, its role in relation to nomination issues.
6. At its November 2011 meeting the Committee agreed that it 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, Office for Legal Complaints (OLC) and Consumer Panel. OLC and Consumer Panel nomination matters are not part of the Committee's current ToR. It was suggested that a steer from the Chairman might also be useful.

Specific issues in relation to nomination

7. The LSB has appointment responsibilities for the non executive board of the Office for Legal Complaints and also the Consumer Panel. Decisions on such appointments, including terms and conditions, are reserved to the Board, but there is the opportunity for the RNC to be involved in a specific way in relation to advising the Chairman and the Board on these appointments.

Proposal

8. Careful consideration has been given as to how the Committee can best provide appropriate governance of nomination matters in particular. It is proposed that, whilst the Chairman of the Board remains outwith the membership of the Committee, it will never prove possible for the Committee to exercise those functions properly. This is because the information that the Committee requires access to in order to provide proper advice is unlikely to be available to them eg performance evaluation.
9. In addition, where the Board is responsible for appointments to other bodies (Panel and OLC), where protocols require the involvement of the relevant body's Chair, it makes little sense to have those discussions without their involvement.
10. The Terms of Reference have therefore been revised to specify more explicitly the responsibilities in relation to nomination, with the Chairman of the Board attending for consideration of nomination issues. They also allow for the attendance of the OLC and Consumer Panel Chair when appropriate (as observer).
11. The Board Chairman has indicated his preference for this model and has had discussions with the Chairman of the Committee on this basis.

Recommendation

12. The Board is invited to review and approve the revised Terms of Reference for the Remuneration and Nomination Committee.

Remuneration and Nomination Committee (RNC)

Terms of Reference¹

Objectives

The Board has delegated to the CEO, decisions about most aspects of the routine management of the LSB's executive team. The Remuneration and Nomination Committee²'s role in relation to these issues is to oversee - on behalf of the Board - the exercise of these delegated authorities, and to advise the CEO and the Corporate Director on any novel or contentious matters that may arise and on what constitutes good employment practice.

In relation to policy or management matters reserved to the Board, matters relating to the performance of the Board and appointments to the Board, the Board of the OLC or the Consumer Panel, the Committee's role is to undertake such preliminary work as the Chairman of the Board or the Board may require and to advise the Board on options and, where appropriate, on an appropriate course of action.

Specific responsibilities

This section sets out the most significant responsibilities of the Committee. It is not an exhaustive list and can be amended at the Committee's discretion – subject to the agreement of the Board – to ensure objectives are met.

1. In respect of Remuneration (executive terms and conditions)

- To review and advise the Board on the terms and conditions of service, including remuneration, pensions, benefits and allowances, of the Chief Executive
- To decide and review the terms and conditions of service, including remuneration, pensions, benefits and allowances of the Chief Executive's director reports ('Executive Group'), and of any other colleague(s) as agreed between the Chair of the Committee and the Chief Executive³.
- To oversee the process for determining the terms and conditions of employment, including remuneration, benefits and pensions of all LSB staff.
- To oversee the process for determining the terms and conditions of all other appointments, including in relation to the Consumer Panel⁴ and Office for Legal Complaints⁵, but excluding ordinary Board Members⁶.

¹ *Ibid.*, Schedule 1, para. 21.

² Legal Services Act 2007, Schedule 1, para. 20(1).

³ *Ibid.*, Schedule 1, para. 15-17.

⁴ *Ibid.*, Section 8(6).

⁵ *Ibid.*, Schedule 15, para. 10-12.

⁶ *Ibid.*, Schedule 1, para. 1(2), defines 'ordinary' Board Members.

- To advise the Chairman on issues relating to the terms and conditions of ordinary Board Members for onward discussion with the Ministry of Justice.
- To ensure that no person shall be involved in any decisions on their own remuneration.
- To review and approve any amendments to pay strategy, bandings and progression arrangements

2. In respect of other executive employment matters

- To review annually the equality and diversity trends across the LSB.
- To comment on major management decisions and HR policies likely to have a significant impact on the LSB's budget, workforce, culture or performance (for example, any plans for new senior management posts).
- To monitor and evaluate – at a strategic level and on an exception basis – the impact of the LSB's HR policies. Key HR policies include:

- a) Health and safety⁷
- b) Capability procedure
- c) Colleague Forum and communication policy
- d) Grievance procedure
- e) Disciplinary procedure
- f) Sickness absence policy and procedure
- g) Holiday policy and procedure
- h) Smoking policy
- i) Alcohol and substance abuse policy
- j) Bullying and harassment policy
- k) Recruitment policy and procedure
- l) Leavers procedure
- m) Redundancy policy
- n) Adoption leave
- o) Parental leave
- p) Maternity leave
- q) Paternity leave
- r) Flexible working
- s) Compassionate leave

- to review periodically the design of the objective-setting and appraisal process, and to assess how it has operated in practice

3. In respect of Nomination

LSB executives

- To oversee and review the talent management strategy and succession planning for those LSB colleagues⁸ as agreed between the Chair of the Committee and the Chief Executive

⁷ The LSB's Health and Safety policy is a matter reserved to the full Board (4.3 of the schedule refers)

⁸ Executive employees of the LSB

Legal Services Board members

- To review regularly the structure, size and composition of the Board, including members' skills, knowledge and experience.
- To assist the Chairman of the Board and through him the Ministry of Justice (MoJ) in identifying and nominating non-executive members (including the Chairman of the Board) to fill Board vacancies as and when they arise.
- Making recommendations to the Chairman and through him the MoJ as to the composition of the recruitment panel, giving due consideration to the views of other non executive members of the Board as appropriate.
- To assist the Chairman of the Board in making recommendations to the Lord Chancellor in respect of the appointment of Executive Board members.
- To consider the succession plan for the Board periodically.
- To monitor and review the induction process for Board Members.

Office for Legal Complaints (OLC)

- To review regularly the structure, size and composition of the OLC, including members' skills, knowledge and experience.
- To approve on, the Board's behalf, plans for identifying and nominating non-executive members (including the Chair of the OLC) to fill OLC vacancies as and when they arise.
- Making recommendations as to the composition of the recruitment panel, giving due consideration to the views of the Chair of the OLC and other non executive members of the Board as appropriate.
- To consider reports from the Chair of the OLC on the evaluation of the performance of OLC members annually, via the Chairman of the LSB, and make recommendations to the Board on re-appointments where appropriate.

Legal Services Consumer Panel ('the Consumer Panel')

- To review regularly the structure, size and composition of the Consumer Panel, including members' skills, knowledge and experience.
- To approve on, the Board's behalf, plans for identifying and nominating non-executive members (including the Chair of the Consumer Panel) to fill Consumer Panel vacancies as and when they arise.
- Making recommendations as to the composition of the recruitment panel, giving due consideration to the views of the Chair of the Consumer Panel and other non executive members of the Board as appropriate.
- To consider reports from the Chair of the Consumer Panel on the evaluation of the performance of Panel members annually, via the Chairman of the LSB, and make recommendations to the Board on re-appointments where appropriate.
- Overseeing that on appointment to the Consumer Panel, members receive an appropriate induction.
- To consider the succession plan for the Consumer Panel periodically

4. General

- The Committee shall make whatever recommendations to the Board it deems appropriate on:
 - (i) any area within its remit where action or improvement is needed
 - (ii) specific issues where the Board is the decision taker
 - (iii) matters delegated to the Chief Executive where there is an substantive difference of view

- The Committee shall, at least annually, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

Authority

The Accounting Officer and the Board authorises the Committee to investigate any activity or topic covered by these Terms of Reference, and to request any information it requires from LSB colleagues, all of whom are directed to co-operate with any request for such information.

The Committee shall, in connection with its duties, and as authorised by the Board, obtain any legal or other professional advice at the LSB's expense.

The Chair of the Committee will have free and confidential access to the Accounting Officer, Corporate Director, Director of Finance and Services and National Audit Office, but will keep the Accounting Officer informed of any discussions that may take place as appropriate.

Membership, quorum, independence, objectivity and understanding

Members of the Committee will act with independence and objectivity in the conduct of their responsibilities, and will have a sound understanding of the objectives and priorities of the LSB and of their role as a Committee member.

Committee members and the Chair shall be appointed by and from the Board⁹ and the period of appointment to the Committee shall be agreed by the Chairman of the Board.

One member of the Committee shall be appointed as Chair. The majority of the members must be lay persons. The quorum of the Committee shall be at least three members¹⁰ attending in person or, in exceptional circumstances, by telephone, video-conferencing facility or email. A lay¹¹ majority is required for all decisions. Where a meeting is not quorate it will nevertheless go ahead, with decisions to be ratified at the next meeting of the Committee or the full Board, as appropriate.

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

¹⁰ *Ibid.*, Schedule 1, para. 21(2)

¹¹ *Ibid.*, Schedule 1, para. 20(4).

Where necessary, in order to make sure that members are aware of the nuance of a particular debate, a resolution may be circulated to all members after a Committee meeting and a decision taken by email. A decision might be delayed to a subsequent meeting where there is any doubt as to the decision taken.

The Chairman of the Board may not be a member of the Committee, but shall attend when matters of nomination are discussed. The Chair of the Committee, the Chairman of the Board and Committee members may participate in discussions about his/her succession but must not make decisions in relation to his/her own position or succession.

Current members and other attendees

Members	
Chair (Lay)	William Moyes
Member	Ed Nally
Member (Lay)	Nicole Smith
Attendees	
Sandra Jenner	External adviser to the Committee
Chief Executive, Accounting Officer and Executive Board member	Chris Kenny
Corporate Director	Julie Myers
Director of Finance and Services	Edwin Josephs

In addition to the above, external attendees, for example the Chairs of the OLC and Consumer Panel, the external auditors, and other LSB staff may attend as required to assist the Committee on specific issues.

Conflict of Interest

A Committee member or attendee who becomes aware of a potential conflict of interest relating to matters being discussed by the Committee should give prior notification to the Chair or, if this is not possible, declare this at the meeting and – where necessary – withdraw during discussion of the relevant agenda item.

Access to the Remuneration and Nomination Committee

Representatives from the LSB’s internal and external auditors will have free and confidential access to the Chair of the Committee.

Confidentiality

Decisions on matters relating to Board Members, Committee advisors, the Consumer Panel and Office for Legal Complaints will generally remain wholly confidential to the Committee and executive attendees.

Decisions on matters relating to individuals' remuneration will generally remain wholly confidential to the Committee and relevant executive attendees (executives will not attend for discussions relating to their own remuneration).

The Committee shall operate on the basis that matters it discusses are confidential to the Committee. Papers will clarify the status and next steps on any necessary communication.

Consultation

The Chief Executive and Corporate Director will determine the appropriate level of engagement and consultation with LSB colleagues, both prior to and following presentation of matters to the Committee and will provide details to members at the time matters are presented. This will be in accordance with good employment practice which expects some form of dialogue – at the most appropriate stage – on matters that are likely to make a material difference to working conditions, morale and LSB colleagues' commitment to the organisation.

Support and meetings

Support for the Committee will be provided by the Corporate Governance Manager who will make arrangements for the organisation and recording of Committee meetings, coordination and distribution of papers.

In respect of Committee meetings:

- these shall be held at least twice a year and where possible should coincide with key dates in the LSB's reporting calendar (see **Appendix 1** for the schedule).
- the Chairman of the Board (in respect of nomination issues), the Chair of the Committee or the Accounting Officer may convene additional meetings as deemed necessary
- the Chair may ask any or all of those who normally attend, but who are not members of the Committee, to withdraw should this be deemed appropriate.
- written agendas and supporting papers will, be dispatched to members and attendees five working days before meetings
- draft minutes will, be circulated by the Corporate Governance Manager to Committee members and attendees within five working days following a committee meeting

Reporting to the Board

The minutes of each Committee meeting will be circulated to all members of the Board and the Chair will produced and present to the Board on an annual basis a report summarising the activities of the Committee and the outcomes of its work. The annual report will be presented to the meeting of the Board that is scheduled to consider and agree the LSB's Annual Report and Accounts for the preceding financial year.

Information and consultation

Communication between the Committee and LSB colleagues will be led by the Chief Executive; communications between the Committee and the Board will be led by the Chair of the Committee.

The Chief Executive and Corporate Director will determine the appropriate level of engagement with LSB colleagues¹² both prior to and following presentation of matters to the Committee and will provide details to members at the time matters are presented.

Annual Review of remit and performance

The Committee will assess its effectiveness, and will also review these Terms of Reference, annually. It will submit recommendations for any proposed changes to the Board for approval. The Committee's duties and activities shall be disclosed in the LSB's Annual Report and Accounts.

Approved by the Board on 30 May 2012

¹² The expectation is of some form of discussion – at the most appropriate stage - on matters that are likely to make a material difference to working conditions, morale and LSB colleagues' commitment to the organisation. This will be in line with the LSB's Colleague Forum and Communication Policy

APPENDIX 1

REMUNERATION AND NOMINATION COMMITTEE ANNUAL CYCLE OF AGENDA ITEMS		
Standing items	Jan	June
Approval of previous minutes	√	√
Matters arising and outstanding action points	√	√
Policy review (a separate timetable exists for the periodic review of policies)	√	√
Any other business	√	√
Agenda items		
Review terms and conditions of service, including remuneration, pensions, benefits and allowances	√	
Review of remuneration and resourcing trends across the LSB, including sickness absence		√
Review of pensions governance	√	
Review of staff performance assessment process and performance related pay scheme	√	
Annual remuneration review		√
Annual report on equality, diversity and accessibility		√
Talent management strategy and executive succession plan		√
Annual review of Board, OLC and Consumer Panel succession planning		√
Committee Annual Report – for approval	√	
Annual RemCo performance self assessment and review of Committee Terms of Reference	√	

Information requirements

In addition to information cited above, as appropriate the Committee will also be provided on an *ad hoc* basis with:

- proposals for any changes to the Terms of Reference
- the remuneration and nomination strategy and proposed annual programme of Committee work
- proposals for the appointment or re-appointment of Board, OLC and Consumer Panel members, according to the timetable of appointments
- proposals for changes to human resource policies
- quality assurance reports as deemed necessary