

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

Title:	CEO remuneration	
Author:	Julie Myers, Corporate Director	
Introduced by:	William Moyes, RNC Chairman	
Status:	Protect	

Summary:
<p>The remuneration of the CEO is agreed by the Board on the advice of the Remuneration and Nomination Committee (RNC).</p> <p>In March 2012, the Board agreed to defer a decision on whether or not to make an element of the CEO's current remuneration package - a non-contractual 5% pension contribution – contractual, until the RNC had assured itself on a number of points.</p> <p>The attached paper advises that the RNC is now able to recommend that the payment be made contractual after receiving satisfactory assurances on a number of points.</p>

Recommendation(s):
<p>The Board is invited:</p> <p>(1) to agree to the recommendation of the RNC that the currently non-contractual 5% Additional Benefits Allowance paid to the CEO in the form of pension contribution be moved to a contractual basis from 1 June 2012.</p> <p>The payment should remain as pension contribution.</p>

Risks and mitigations	
Financial:	None – change of contractual status does not affect affordability. Were salary to increase in the future, the contribution would also increase accordingly and this would need to be considered in future remuneration deliberations.
Legal:	N/A
Reputational:	N/A
Resource:	N/A

Consultation	Yes	No	Who / why?
Board Members:	X		LSB Chairman and RNC Members
Consumer Panel:		X	N/A
Others:	HR Advisor		

Freedom of Information Act 2000 (Fol)		
Para ref	Fol exemption and summary	Expires
tbc	tbc	tbc

LEGAL SERVICES BOARD

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CEO remuneration

Background / context

1. The CEO is currently paid:
 - £160,000 pa salary
 - £28,000 contractual pension contribution (it was previously £20,000 but was increased as at 1 March 2010 by £8,000 instead of having a separately designated contractual 5% Benefits Allowance as other LSB colleagues)
 - £8,000 non-contractual additional pension contribution until May 2012 (in lieu of the (previously non-contractual) 5% Additional Benefits Allowance now agreed to be paid to other colleagues on a contractual basis going forward).

Issue

2. At the 30 November 2011 meeting of the Remuneration and Nomination Committee (RNC), the Committee agreed to make the previously non-contractual 5% Additional Benefits Allowance into a contractual benefit going forward for all colleagues. However, RNC did not explicitly discuss whether the CEO should also continue to receive the 5% Additional Benefits Allowance and if so whether it be on a contractual basis.
3. The Committee concluded that, whilst it had no objection in principle to continuing to make the payment or to the quantum, it did not consider that it yet had satisfactory assurances on a small number of issues to enable it to recommend to the Board that the payment be made contractual. It therefore recommended to the Board that the payment remain non-contractual until the RNC was assured that the level of pension contribution was not out of kilter with public sector norms and that the Board was able to determine the CEO's terms.
4. The Board agreed with this recommendation in March 2012 and the matter was remitted for further consideration by the RNC.

Discussion

5. On the Corporate Director's recommendation, the HR Advisor was asked to advise the RNC of the background to the original justification for the CEO's remuneration and to address the points on which the RNC sought assurances.
6. Material was subsequently provided to the RNC, which illustrated that the level of pension contribution was not out of kilter with public sector norms. This included publicly available information from comparator organisations. The Committee was also reassured that the legal responsibility for setting remuneration levels was the responsibility of the Board, as provided for by the Legal Services Act 2007 and

that such payments – pension contributions as part of a remuneration package – were unlikely to be considered ‘novel or contentious’ in Managing Public Money terms.

7. RNC considered whether, in light of these conclusions, the 5% Additional Benefits Allowance of an £8000 pension contribution should be made contractual. Whilst it noted that to do so would limit the Board’s discretion in future, it considered it unlikely that the payment would be withdrawn for the CEO alone. It also noted that, whilst making the payment contractual would increase financial obligations, since the quantum is derived as a percentage of salary, the additional obligation likely to arise due to a salary increase, in the current public sector pay environment in particular, would be small.
8. The Committee therefore agreed that a recommendation be put to the Board to make the contractual the 5% Additional Benefits Allowance, in payment to the CEO as pension contribution, from 1 April 2012.

Recommendation

9. The Board is invited:
 - (1) to agree to the recommendation of the RNC that the currently non-contractual 5% Additional Benefits Allowance paid to the CEO in the form of pension contribution be moved to a contractual basis from 1 June 2012.

The payment would remain as pension contribution.

JM

18.05.12