

Council, 24 May 2017

Remuneration Committee review

Executive summary and recommendations

Introduction

At its meeting in March 2017, the Council requested that the Executive review best practice for Remuneration Committee (RemCom) arrangements and present any findings and recommendations to the Council for approval.

This review is part of a wider governance review due to be considered by Council in September 2017. However due to the infrequency of the meetings of RemCom and the required change of Chair this review is now presented to the Council for decision.

In preparing this paper the following references were taken into account;

- UK Corporate Governance Code
- Financial Reporting Council guidance on Board Effectiveness
- guidance issued by the Institute of Secretaries and Administrators (ICSA)
- the terms of reference of other healthcare regulators.

Decision

The Council is asked to discuss the paper and agree;

- The amended Standing Orders for Committees including the draft terms of reference for RemCom
- The Composition of RemCom as follows;
 - 4 members
 - at least three members must be members of Council, none of whom is the Chair of the Council or a member of the Audit Committee; and
 - at least one member must not be a member of the Council
- The role description for the independent member of the RemCom
- Membership of RemCom is reviewed in its entirety and open to all eligible Council members

Background information

The UK Corporate Governance Code - <https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-April-2016.pdf>

Financial Reporting Council guidance on Board Effectiveness - <https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/Guidance-on-Board-Effectiveness.pdf>

ICSA guidance note on terms of reference for the remuneration committee - <https://www.icsa.org.uk/download-resources/download?fileId=3321>

Resource implications

Minor resource implication if the Council agreed that an independent member of the RemCom should be recruited.

Financial implications

If agreed, costs for appointment process of independent member.

Appendices

1. Tracked change Standing Orders for Committees
2. Proposed role description for independent member of the RemCom

Date of paper

16 May 2017

HCPC Remuneration Committee review

Composition

1. Members

- 1.1 RemCom is currently composed of 4 members of Council. It is not proposed to amend this, as guidance states that at least 3 members are required and Council is comprised of 12 members only.
- 1.2 However from the following table it is notable that several regulators include a requirement for an independent member of RemCom.

The following table lists the composition and frequency of meetings of the remuneration committees of the health and care professions regulators

Regulator	Meetings 2017	Members
General Chiropractic Council	2	4*
General Dental Council	2	4*
General Optical Council	2	4*
General Osteopathic Council	3	5*
General Medical Council	2	6
General Pharmaceutical Council	2	5*
Health and Care Professions Council	2	4
Nursing & Midwifery Council	3	4

* Includes 1 independent member

- 1.3 In September 2013, the Council agreed revised terms of reference for the Audit Committee which included a requirement for an external member. This composition has worked well for the Committee, adding value through significant financial experience and an outside perspective.
- 1.4 Role descriptions for independent RemCom members normally require the member to have recent and relevant practical experience of remuneration policy at senior executive or non-executive level and an understanding of remuneration policy issues affecting the particular sector.
- 1.5 The UK Corporate Governance Code states that; 'No director should be involved in deciding his or her own remuneration'.
- 1.6 Conflict of interest is hard to eliminate on a RemCom but the inclusion of an independent external member can help to mitigate this risk. This is particularly

appropriate if the Council decides that the RemCom should review and advise the Council on Council remuneration.

- 1.7 Taking these factors into account. It is recommended that the RemCom composition is amended to include the requirement for an independent member. Should the Council agree that an independent member of the RemCom would add value, a suggested role description is included as appendix 2 to this paper for consideration. Any recruitment process would closely follow that used for the independent member of the Audit Committee.
- 1.8 Given the change to the composition of the RemCom, if the Council agrees to the proposed change it is recommended that the entire membership be appointed on an open basis to ensure the right skill mix.

2. Chair

2.1 The current HCPC Standing Orders for Committees require the Chair of the Council to be a member of RemCom. Following the governance review implemented in 2014, the Chair of Council has also acted as the Chair of the RemCom.

2.2 This arrangement is contrary to best practice. The UK Corporate Governance Code states that;

‘the company chairman may be a member of [the committee] but not chair [the committee] if he or she was considered independent on appointment as chairman’

2.3 The purpose of this provision is to protect against conflict of interest. The HCPC’s Chair of Council currently has a dual role of Chairing the Council and reporting to the Council as the RemCom Chair. This could result in the perception of undue influence.

2.4 It is proposed that the requirement for the Chair to be a member of the Remuneration Committee is removed from the standing orders.

2.5 It is also proposed that the standing orders be amended to prohibit the Chair of Council from acting as a member of RemCom. This is because the Chair of Council, as an effective ‘line manager’ is required to present papers to RemCom relating to the performance and remuneration of the Chief Executive for decision. This presents the potential for a perceived lack of objectivity on this matter.

2.6 Nominations for Remuneration Committee members and Chair will be issued following the Council’s decision. The results of this process will be presented to Council for ratification in July 2017.

3. Terms of reference

- 3.1 The current HCPC Standing Orders for Committees do not include terms of reference for the RemCom. Its purpose is briefly outlined in paragraph 2.4;

‘The Remuneration Committee, which determines the salaries of the Chief Executive and members of the Executive Management Team and the salary scales for all other HCPC employees, comprises the Chair of the Council and three other Council members, none of whom are members of the Audit Committee, appointed by the Council (on the terms it determines).’

- 3.2 This definition of the RemCom is limited and does not provide clarity on the range of issues the Committee will consider and how its decision making reports into Council. The HCPC’s other Committees have more defined terms of reference.
- 3.3 Additionally, the RemCom has agreed that it will meet at least twice a year, considering rationale and policy for remuneration at an autumn meeting. This is not well reflected in the current definition of the RemCom’s remit above.
- 3.4 The Council has previously indicated it wishes to review the business it considers with the aim of focusing more acutely on strategic issues. This is one of the drivers of the governance review, which is exploring how Committees add value and provide assurance to Council.
- 3.5 One of the ways in which Committees can assist Council in its aim of greater strategic focus is for the Council to delegate suitable business to the Committees.
- 3.6 Matters that the Council currently consider that could be delegated to the RemCom include the expense policies, Council remuneration, review of the employee exit interview report. Other regulators terms of reference include these issues as matters for RemCom.
- 3.7 While it is not possible to eliminate entirely the risk of self-interest in remuneration decisions for Council, an added benefit of delegating matters on Council expenses and remuneration is the inclusion of an outside member in making decisions. An independent member of the Committee is discussed under the section ‘members’.
- 3.8 It is proposed that the Standing Orders for Committees is amended to include an annex 3 comprising the terms of reference for RemCom. Proposed terms of reference are included in the tracked change version of the orders. These terms are based on the model terms of reference set out in the guidance listed in this paper’s introduction.

4. Council assurance and performance

- 4.1 During previous discussions about remuneration matters, some members of Council have expressed concern that they do not feel Council has appropriate engagement with the work of RemCom. The suggestion that the whole Council met to consider remuneration matters was raised among other suggestions for change.
- 4.2 This would not be desirable as it is best practice for members of the Audit Committee not to make decisions regarding individual remuneration awards. Additionally this would not support the Council in their efforts to become more strategically focused.
- 4.3 Engagement with Council however can be improved to provide the assurance the Council is seeking. Under the proposed terms of reference, the Council will approve the remuneration policy that informs the RemCom's decision making for individual post holders. RemCom will recommend any changes to this policy to Council but it will remain in Council's gift only to set and amend the policy.
- 4.4 The operation of the policy will remain a matter for RemCom. The proposed terms of reference for RemCom include the requirement for the Chair of RemCom to report annually to the Council on the Committees work. The Council will also continue to receive all RemCom minutes for information.

Standing Orders for Committees of the Health and Care Professions Council

1 Application and Interpretation

- 1.1 These Standing Orders, together with the Health and Social Work Professions Order 2001 (**the Order**), establish the basic rules about how HCPC committees conduct their proceedings.
- 1.2 In these Standing Orders, **Committee** means any committee (or sub-committee) to which they apply, and other terms used in these Standing Orders have the same meaning as in the Order.
- 1.3 If a procedural point arises during a meeting that is not covered by these Standing Orders or the Order, the common law rules concerning the conduct of meetings will apply.
- 1.4 The Chair is the final authority on the interpretation of these Standing Orders.
- 1.5 These Standing Orders do not apply to the proceedings of the HCPC Practice Committees, known collectively as the “Health and Care Professions Tribunal” (the **Tribunal**), the proceedings of which are governed by statutory rules made under the Order.

2 Composition of committees

- 2.1 The composition of the **Education and Training Committee** is to be determined by the Council in accordance with rules made by it under paragraph 17 of Schedule 1 to the Order.
- 2.2 The **Tribunal Advisory Committee**, which performs the functions set out in Annex 1, comprises six members, none of whom is a Council member, appointed by the Council (on the terms it determines), of which:
 - 2.2.1 three members must be Tribunal Chairs; and
 - 2.2.2 three members must not be Tribunal Chairs or Tribunal Panellists.
- 2.3 The **Audit Committee**, which performs the functions set out in Annex 2, comprises four members, appointed by the Council (on the terms it determines), of which:
 - 2.3.1 at least one member must have recent, significant and relevant financial experience;
 - 2.3.2 at least two members must be members of Council; and
 - 2.3.3 at least one member must not be a member of Council.

2.4 The **Remuneration Committee**, which performs the functions set out in Annex 3, comprises four members, appointed by the Council (on the terms it determines), of which:

2.4.1 at least three members must be members of Council, none of whom is the Chair of the Council or a member of the Audit Committee; and

2.3.3 at least one member must not be a member of the Council.

2.5 The membership, terms of office and terms of reference of any other Committee are as determined by the Council.

3 Frequency of Meetings

3.1 Subject to Standing Order 3.2, the Committee is to meet at the times it determines.

3.2 As a minimum:

3.2.1 the **Education and Training Committee** must meet four times each year, on dates correlated with the Council's cycle of meetings;

3.2.2 the **Tribunal Advisory Committee** must meet twice each year;

3.2.3 the **Remuneration Committee** must meet twice each year; and

3.2.43 the **Audit Committee** must meet three times in each year, on dates which coincide with key dates within the financial reporting and audit cycle.

4 Adjournment of Meeting

4.1 The Chair may, with the consent of the Committee, adjourn a meeting, but no business may be transacted at an adjourned meeting other than the business which had not been disposed of when the adjournment took place.

4.2 If a meeting is adjourned for more than seven days (but not otherwise), notice of the meeting must be given in accordance with Standing Order 6.

5 Access to meetings

5.1 All meetings of the Committee must be open to the public unless the business under consideration concerns:

5.1.1 information relating to a registrant, former registrant or applicant for registration;

5.1.2 information relating to an employee or office holder, former employee or applicant for any post or office;

5.1.3 the terms of, or expenditure under, a tender or contract for the purchase or supply of goods or services or the acquisition or disposal of property;

- 5.1.4 negotiations or consultation concerning labour relations between the Council and its employees;
- 5.1.5 any issue relating to legal proceedings which are being contemplated or instituted by or against the Council;
- 5.1.6 action being taken to prevent or detect crime or to prosecute offenders;
- 5.1.7 the source of information given to the Committee in confidence; or
- 5.1.8 any other matter which, in the opinion of the Chair, is confidential or the public disclosure of which would prejudice the effective discharge of the Committee's or Council's functions.

6 Notice of Meetings

- 6.1 The Secretary must give members not less than seven days' notice of the time and place of a meeting.
- 6.2 If for any reason a meeting is convened at shorter notice, then the Secretary must give members notice of the time and place of the meeting at the time that the meeting is convened.
- 6.3 Failure to send notice of a meeting to a member does not invalidate the proceedings of that meeting.

7 Agenda

- 7.1 The Secretary must issue an agenda for each meeting.
- 7.2 Except in cases of urgency or where circumstances make it impracticable to do so, the agenda for a meeting and any accompanying papers must be sent to members seven days before the meeting.

8 Chair

- 8.1 The Chair of the Committee, who is appointed by the Council (on the terms it determines), is to preside at any meeting of the Committee.
- 8.2 If the Chair is absent from, or otherwise unable to preside at, a meeting the members present must nominate one of their number to serve as chair at that meeting.
- 8.3 In these Standing Orders, references to the **Chair** include a member presiding at a meeting of the Committee in place of the Chair.

9 Quorum

- 9.1 The quorum at a meeting of the Committee is:
 - 9.1.1 in the case of the ***Education and Training Committee***, as provided for in rules made by the Council under paragraph 17 of Schedule 1 to the Order;

- 9.1.2 in the case of the ***Tribunal Advisory Committee***, any four members;
 - 9.1.3 in the case of the ***Audit Committee***, any three members;
 - 9.1.4 in the case of the ***Remuneration Committee***, any three members; and
 - 9.1.5 in any other case, half of the members of the Committee plus one.
- 9.2 If a quorum is not present within 15 minutes of the time appointed for a meeting to commence, all business which should have been transacted at that meeting is to be held over until the next meeting.
- 9.3 If, during a meeting of the Committee, a quorum ceases to exist, the meeting must be dissolved and all remaining business adjourned to the next meeting of the Committee.

10 Conduct of Meetings

- 10.1 The order of business at a meeting must follow that set out in the agenda unless it is varied by the Chair with the consent of the meeting.
- 10.2 A member may only initiate a debate or move a motion on a matter which is not on the agenda with the consent of the meeting.
- 10.3 All motions must relate to matters that are within or related to the functions of the Committee.
- 10.4 Members must not make derogatory personal references or use offensive expressions or improper language to any other member or any employee of the Council.
- 10.5 A member must speak to the subject under discussion. The Chair may call attention to any irrelevance, repetition, unbecoming language or other improper conduct on the part of a member and, where the member persists in that conduct, may direct that member to cease speaking.
- 10.6 A ruling by the Chair on any question of order, whether or not provided for by the Standing Orders, is final and not open to debate.

11 Voting

- 11.1 Except where the Order specifies otherwise, any question at a meeting is to be decided by a majority of the members present voting by a show of hands.
- 11.2 In the event of an equality of votes, the Chair is entitled to an additional casting vote.

12 Minutes of meetings

- 12.1 The Secretary must keep minutes of each meeting, which must include a record of the members present at that meeting.

- 12.2 At each meeting, the minutes of the preceding meeting must be confirmed (or confirmed as amended) and be signed by the Chair as a true record of that meeting.
- 12.3 The signed minutes of a meeting, unless the contrary is proved, are conclusive proof of the proceedings of that meeting.

13 Duration

Subject to Standing Order 9.2, a meeting must start at the time set out in the notice of meeting and may continue until all of the business on the agenda has been disposed of, but the duration of a meeting may only exceed three hours with the consent of the members present.

14 Disorder

- 14.1 If, in the opinion of the Chair, a member has persistently disregarded the ruling of the Chair or behaved in a manner which is obstructing the business of the meeting, the Chair may order that member to withdraw from the whole or part of the remainder of the meeting.
- 14.2 In the event of a disturbance which, in the opinion of the Chair, prevents the orderly conduct of business, the Chair may adjourn the meeting for a period that the Chair considers appropriate.
- 14.3 If a person other than a member interrupts the proceedings at any meeting, the Chair may order that person to be removed from the meeting or may order the part of the room which is open to the public to be cleared.

15 Members' interests

- 15.1 Members must make a declaration of their personal interests in the form required by the Council (which must be published in the Council's Register of Members' Interests) and must ensure that their interests as set out in that Register are accurate and up to date.
- 15.2 The agenda for every meeting must include as an item of business the declaration of interests. A member who has a personal interest in any matter under consideration at that meeting, whether or not declared in the Register of Members' Interests, must promptly disclose that interest to the meeting. If the interest is a prejudicial interest, the member must withdraw from the meeting during the Committee's consideration of that matter.

16 Code of conduct

Members must comply with the Code of Conduct adopted by the Council.

17 Members' education, training and performance

- 17.1 The Council may establish standards of education and training for members and, as part of those standards, arrange for members to undergo training to assist them in their performance of their duties.

17.2 The Council may establish standards of attendance and performance for members, including a system of annual performance appraisal.

17.3 Members must comply with any applicable standards established by the Council under this Standing Order and must not, without reasonable excuse, refuse to participate in any training or appraisal processes.

18 Approval of resolutions without meeting

A resolution which, with the consent of the Chair, is circulated to, and approved in writing or electronic form by not less than three quarters of the members entitled to receive notice of and attend a meeting of the Committee shall be as valid as if it had been passed at such a meeting.

19 The Secretary

The Secretary to the Council, or any other person that the Secretary to the Council may appoint, is to be the Secretary to the Committee (the **Secretary**).

20 Adoption

These Standing Orders were adopted by the Council on **24th 7th MayJuly 20176** and supersede all previous versions. They apply to any ~~Committee meeting~~ held after that date.

Annex 1

Tribunal Advisory Committee: Terms of Reference

The ***Tribunal Advisory Committee*** is to:

1. advise the Council on the qualities, abilities and competences required of:
 - 1.1 Panel Members of the Tribunal (**Tribunal Panellists**)
 - 1.2 Panel Chairs of the Tribunal (**Tribunal Chairs**); and
 - 1.3 Legal Assessors;
2. advise the Council on arrangements for the merit-based selection, by fair and open competition, of:
 - 2.1 Tribunal Panellists;
 - 2.2 Tribunal Chairs; and
 - 2.3 Legal Assessors;
3. advise the Council on arrangements for the training and assessment of:
 - 3.1 Tribunal Panellists;
 - 3.2 Tribunal Chairs; and
 - 3.3 Legal Assessors;
4. subject to any policy established by the Council, provide guidance to the Tribunal on matters of practice and procedure, in order to assist the Tribunal to conduct proceedings fairly, proportionately, efficiently and effectively.

Annex 2

Audit Committee: Terms of Reference

The **Audit Committee** is to:

1. advise the Council and the Registrar (as Accounting Officer) on the appointment of internal and external auditors;
2. approve internal and external audit programmes and fees;
3. review the external auditors' management letters and any other relevant reports and report on these to the Council as appropriate;
4. receive reports on the internal audit work plan and consider appropriate action arising from them;
5. review the Council's annual report and accounts and make recommendations to the Council and the Registrar (as Accounting Officer) as appropriate;
6. consider whether risk management processes are adequate for all risks to which the Council is exposed and approve or, where the Committee considers that significant policy issues are involved, recommend that the Council approve measures to eliminate or mitigate against them;
7. at the request of the Council, advise it on matters of corporate governance (but without limiting the Committee's power to make recommendations to the Council on corporate governance issues arising from the work of the auditors);
8. consider and make recommendations to the Council and the Registrar (as Accounting Officer) as appropriate on the Council's:
 - 8.1 accounting policies;
 - 8.2 anti-fraud policies; and
 - 8.3 'whistle-blowing' processes.

Annex 3

Remuneration Committee: Terms of Reference

The **Remuneration Committee** is to:

1. Approve the remuneration of the Chief Executive, the EMT and HCPC salary bands annually, in line with the remuneration policy set by the Council.
2. Review the Remuneration policy and principles annually and make recommendations to Council as appropriate.
3. Review reports from the Chair of Council regarding the setting of objectives for, and performance appraisal of the Chief Executive.
4. Review reports from the Chief Executive regarding the setting of objectives for and performance appraisal of the EMT.
5. Approve the terms of any special severance arrangements applying in the event of any required and unplanned early termination of employment of the Chief Executive or any member of the EMT, having regard to relevant guidance and codes of practice and contracts of employment
6. Review, as necessary, any significant changes to policies impacting on remuneration, the employee pay and grading structure, or the pension scheme.
7. Approve the expenses policies for Council members, partners, witnesses and employees.
8. Recommend to the Council any changes to the remuneration of the Chair, Council members and Partners.
9. The Chair of the Committee will present a report to the Council on its activities annually

Independent Member of the Remuneration Committee

Core competencies required

Candidates will be required to demonstrate how they meet the core competencies shown below. Some examples of how these may be met are shown in the table.

Competence	Evidence
Recent and significant practical experience of remuneration policy at senior executive or non-executive level	<ul style="list-style-type: none">• You must demonstrate recent and significant remuneration policy experience which is relevant to the role of the Remuneration Committee.• Understanding of remuneration policy issues affecting public sector organisations and the role of the Committee• Previous experience of working with a Remuneration Committee
Ability to contribute to strategic direction	<ul style="list-style-type: none">• Understanding of the relationship between the purpose and values of an organisation and its strategic direction.• Knowledge and experience of strategic planning and delivery, with the ability to scrutinise performance data.• Experience of contributing to the achievement of objectives within time and resource constraints.
Ability to explore accountability of self and others	<ul style="list-style-type: none">• Offer appropriate challenge to help achieve the best outcomes for the organisation.• Able to support the executive team whilst holding them to account for their performance.• Willingness to accept responsibility and to be held accountable for personal decisions and to accept shared responsibility for corporate decisions.• Experience of evaluating own and others' performance.• Ability to consistently hold the line on corporate decisions.

Competence	Evidence
Awareness of equality and diversity issues	<ul style="list-style-type: none"> • Able to explore and work with values of respect, inclusion, fairness and transparency and what these might mean in a regulatory setting. • Awareness that equality and diversity issues are of key importance throughout any organisation.
Ability to listen and communicate effectively	<ul style="list-style-type: none"> • Well developed listening skills. • Good communication skills and the ability to put views across clearly and sensitively in a variety of settings. • Awareness of, and acceptance, of diverse views.
Ability to work effectively as part of a team	<ul style="list-style-type: none"> • Experience of participating in group discussions. • Involving and including others in a decision making process to achieve the best outcome for an organisation. • Sharing expertise at the same time as being able to recognise expertise in others. • Ability to reflect on own behaviour and impact on others.
Understanding of the role of the HCPC	<ul style="list-style-type: none"> • Knowledge and understanding of the prime purpose of regulation - i.e. public protection