Meeting: Legal Services Board

Date: 18 March 2021

Item: Paper (21) 15

Title: Annual report of the work of the RNC 2020/21

Introduced by: Jemima Coleman, Chair of RNC

Status: Official

Introduction: Purpose of the paper

1. This paper presents a draft report about the activities of the RNC in the period 1 April 2020 to 31 March 2021, for approval by the Committee ahead of consideration by the Legal Services Board at its meeting on 18 March 2021. This report is intended to inform the LSB's *Annual Report and Accounts 2020/21* – in particular by supporting the annual governance statement – and represents governance best practice.

2. This draft report proposes that the Committee's activities during the year under report provide sufficient assurance to the Board that there were effective arrangements in place in relation to remuneration and nomination and other executive employment matters. As such, the report also reflects on the Committee's effectiveness. This is in accordance with the RNC's Terms of Reference (ToR) which require that:

    - *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.*

    - *The Chair will produce and present to the Board on an annual basis a report summarising the activities of the Committee and the outcomes of its work. This 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.*

3. The current ToR are attached at **Annex A.** (Last reviewed as part of the 2020 Governance Manual Review – agreed 2 December 2020).

Recommendation

4. The Committee is invited to consider the work undertaken by RNC over the year and **approve** the draft report which will then be submitted to the Board as a contribution to the LSB's Annual Report and Accounts for 2020/21.

Overview of the Committee and its ToR

5. As set out in the ToR, the Board has delegated to the Chief Executive decisions about most aspects of the routine management of the LSB's executive team. RNC'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 Chief Executive on any novel or contentious matters that may arise and on what constitutes good employment practice.

6. 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 Chair of the Board or the Board may require and to advise the Board on options and, where appropriate, on an appropriate course of action.

Membership and attendees

7. Arrangements for appointments to the Committee are set out in the Committee ToR. Members are appointed by and from the Board with periods of appointment agreed by the Chair of the Board. The quorum is three Members and a lay majority attending in person or by other means (in exceptional circumstances). Decisions may also be ratified by suitable exchange of correspondence.

8. The Committee met on two occasions during 2020/21: on 14 July 2020 and on 4 February 2021.

9. The Committee membership and attendance during 2020/21 was:

Remuneration and Nomination Committee	
Jemima Coleman	2/2
Marina Gibbs	2/2
Ian Hamer	2/2

Attendees also included:

a. Matthew Hill (Board Member, CEO and Accounting Officer)
b. Holly Perry (Director, Enabling Services)
c. Nicola Galiana (HR Manager)
d. Stuart Hamill (Head, Finance and IT, from February 2021)
e. Steph North (Corporate Governance Manager, and Secretary to the Committee)

Main activities

10. The main activities of the Committee in 2020/21 included:
    a. Nomination matters:
        i. Legal Services Consumer Panel - considering proposals regarding the reappointment of three members of the Panel, including the Chair
        ii. Office for Legal Complaints – considering proposals regarding the reappointment of two members of the Panel, and with regard to the appointment of a new member of the OLC following a resignation mid-year
        iii. Legal Services Board – considering the progress made by the Ministry of Justice as regards the appointment of one new lay Board member to take up post in Spring 2021
    b. Remuneration matters:
        i. Agreeing the 2020 pay award for those colleagues within the RNC's ToR, as well as salary adjustments for eligible manager-level colleagues
        ii. Considering non-pay options for improving the LSB's offer to colleagues
        iii. Receiving the annual governance review of the LSB's pension arrangements
    c. Other executive employment matters:
        i. Considering working arrangements and colleague wellbeing in light of the Covid-19 pandemic
        ii. Reviewing resourcing trends including turnover, wastage and vacancy rates, sickness absence, tribunal and grievance
        iii. Considering an Equality and Diversity strategy for the LSB
        iv. Reviewing the LSB's colleague training programme
        v. Reviewing the succession plan
        vi. Reviewing the HR policies

11. The majority of these items were considered in the two formal meetings of the Committee, with a small number considered out of Committee by correspondence.

How effectively did the Committee comply with its ToR

12. The Committee concludes that it has provided both sufficient and rigorous challenge of, and where necessary, appropriate support to the executive.

13. Feedback from the executive is that the advice and challenge of the Committee remains very useful in testing emerging thinking as regards matters delegated to the executive, and in making sure a diverse range of perspectives is considered. The level of interest and commitment shown by the Committee to colleagues' well-being, engagement and overall effectiveness is also valued highly.

14. The Committee has considered equality and diversity implications throughout its work, including a review of the 2020 Colleague Diversity survey results.

15. All Committee meetings were quorate and attendance is referenced at paragraph 9 above.

16. Oral reports of Committee meetings were presented to the Board by the Chair of the Committee.

Forward look to 2021/22

17. The Committee will continue to provide challenge, oversight and support to the executive, in line with its ToR, during 2021/22.

18. A new member of the Committee will be appointed following the end of Marina Gibbs' final term as a Board member on 31 March 2021.

19. We will bring an organisational development strategy regarding how we will work in the post-pandemic world to the next RNC meeting in July 2021.

20. We will bring the results of our next all-colleague staff engagement survey and action plan, due to be carried out in September 2021, to the February 2022 meeting along with an update on the first year of our diversity and inclusion strategy and what we have achieved.

Annex A – RNC Terms of reference as at February 2021

Terms of Reference[i]

Remuneration and Nomination Committee (RNC)

Responsibilities

1. The Board has established a Remuneration and Nomination Committee[ii] 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[iii].

2. These matters may include but are not limited to:

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 direct reports ('Executive Group'), and of any other colleague(s) as agreed between the Chair of the Committee and the Chief Executive[iv].

- To oversee the process for determining the terms and conditions of employment, including remuneration, benefits and pensions of all colleagues.

- To oversee the process for determining the terms and conditions of all other appointments, including in relation to the Panel[v] and the OLC[vi], but excluding ordinary Board Members[vii].

- To advise the Chair on issues relating to the terms and conditions of ordinary Board Members for onward discussion with the MoJ.

- To ensure that no person shall be involved in any decisions on their own remuneration.

- To review and approve any amendments to pay strategy (including any proposals for linking reward to performance for colleagues), bandings and progression arrangements.

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.

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

In respect of Nomination

The LSB executives

- To oversee and review the talent management strategy and succession planning for those colleagues[viii] as agreed between the Chair of the Committee and the Chief Executive.

The LSB non-executives

- To review regularly the structure, size and composition of the Board, including members' skills, knowledge and experience.

- To consider the succession plan for the Board periodically so as to assist the Chair of the Board in advising the MoJ, as required, on plans for identifying and nominating non-executive members (including the Chair of the Board) to fill Board vacancies as and when they arise.

- To monitor and review the induction process for Board Members.

- In addition, to assist the Chair of the Board in making said recommendation should a situation arise where the Board wishes to recommend to the Lord Chancellor that consideration be given to the appointment of an Executive colleague to the Board.

The OLC and the Panel non-executives

- To review regularly the structure, size and composition of the OLC and the Panel, including members' skills, knowledge and experience.

- To consider the succession plans for the OLC and the Panel periodically.

- To approve, on the Board's behalf, plans for identifying and nominating non-executive members (including the Chair of the OLC and the Chair of the Panel) to fill OLC and 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 appropriate Chair (OLC or Panel) and other relevant parties as appropriate.

- To consider reports from the relevant Chair on the evaluation of the performance of OLC and Panel Members annually, via the Chair of the LSB, and to make recommendations to the Board on re-appointments where appropriate.

- Overseeing that on appointment to the Panel, members receive an appropriate induction.

General

3. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit. For the avoidance of doubt, this includes advice on matters where action or improvement is needed including:

   - on specific issues where the Board is the decision taker; and
   - on matters delegated to the Chief Executive where there is a substantive difference of view.

Authority

4. The Committee is authorised by the Board to:

   - investigate any activity or topic covered by these Terms of Reference;
   - request any information it requires from the colleagues, all of whom are directed to co-operate with any request for such information;
   - obtain at the expense of the LSB, external financial, legal or other independent professional advice or training, subject to budgets agreed by the Board; and
   - appoint, remove and approve the terms and conditions of appointment of professional advisers to the Committee.

Membership

5. The Committee and its Chair will be appointed by the Board from amongst its ordinary, non-executive Members[ix] and the period of appointment to the Committee shall be agreed by the Chair of the Board.

6. A majority of the Committee's Members will be lay persons[x].

7. The Chair of the Board may not be a member of the Committee.

8. The Chair of the Committee may not also be the Chair of the Audit and Risk Assurance Committee.

Access

9. The internal and external auditors will have free and confidential access to the Chair of the Committee.

Meetings

10. The Committee will meet at least two times a year.

11. The quorum of the Committee shall be at least three members[xi] attending in person or by telephone or video-conferencing facility, and decisions may be made or ratified following a suitable exchange of correspondence.

12. A lay[xii] majority is required for all decisions. Where a meeting is not quorate it will nevertheless go ahead, with decisions to be ratified via correspondence, at the next meeting of the Committee or the full Board, as appropriate.

13. Where necessary, in order to make sure that Committee members are aware of the nuance of a particular debate, a resolution may be circulated to all Committee members after a 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.

14. The Board Chair may attend the Committee when matters of nomination are discussed. Except in relation to nominations, the Board Chair shall attend no more than one RNC meeting in each year, thus strengthening the independence of the Committee. Whilst Committee members, including the Committee Chair, may participate in discussions about their succession, they must not make decisions in relation to their own position or succession. This also applies to the Chair of the Board, if they are in attendance.

15. The Accounting Officer, Director, Enabling Services and Human Resources Manager will attend meetings of the Committee. Other attendees, for example the Chairs of the OLC and the Panel, the Head, Finance and IT and other colleagues may attend as required to assist the Committee on specific issues.

16. The Corporate Governance Manager, in the capacity of Board Secretary, will be secretary to the Committee. Draft minutes of each meeting will be circulated by the Corporate Governance Manager within five working days of each meeting. The annual cycle of meetings is set out in Annex A.

Reporting to the Board

17. The minutes of each Committee meeting will be circulated to all members of the Board.

18. The Chair will produce and present to the Board on an annual basis a report summarising the activities of the Committee and the outcomes of its work. This 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.

Communication

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

20. The Chief Executive will determine the appropriate level of engagement with the colleagues[xiii] both prior to and following presentation of matters to the Committee and will provide details to members at the time matters are presented.

Conflict of Interest

21. 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.

Confidentiality

22. Decisions on matters relating to Board Members, Committee advisors, the Panel and the OLC will generally remain wholly confidential to the Committee and executive attendees.

23. 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).

24. 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.

Annual review of remit and performance

25. 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.

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[i] *Ibid*., Schedule 1, para. 21.
[ii] Legal Services Act 2007, Schedule 1, para. 20(1).
[iii] *Ibid*., Schedule 1, para. 21.
[iv] *Ibid*., Schedule 1, para. 15-17.
[v] *Ibid*., Section 8(6).
[vi] *Ibid*., Schedule 15, para. 10-12.
[vii] *Ibid*., Schedule 1, para. 1(2), defines 'ordinary' Board Members.
[viii] Executive employees of the LSB *id est* **all LSB colleagues on payroll, excluding non-executive directors**
[ix] *Ibid*., para. 20(3), restricts the membership of the Committee only to Board Members.
[x] *Ibid*., para. 20(4).
[xi] *Ibid*., Schedule 1, para. 21(2)
[xii] *Ibid*., Schedule 1, para. 20(4).
[xiii] 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 the colleagues' commitment to the organisation. This will be in line with the LSB's Colleague Forum and Communication Policy