Meeting: LSB Board Meeting

Date: 21 March 2023

Item: Paper (23) 20

Title: RNC Annual Report

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Status: Official

Introduction: Purpose of the paper

1. This paper presents a report about the activities of the RNC in the period 1 April 2022 to 31 March 2023, for agreement by the Board. The report was agreed at the RNC meeting on the 1 February 2023. This report is intended to inform the LSB's *Annual Report and Accounts 2022/23* – in particular by supporting the annual governance statement. Producing an annual report of the Committee's work represents governance best practice.

2. This 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 2022 Governance Manual Review – agreed by the Board on 29 November 2022).

Recommendation

4. The Board is invited to **agree** the annual report of the Committee.

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. RNC's role in relation to these issues is to oversee - on behalf of the Board - the exercise of these delegated decisions, and to advise the Chief Executive on any novel or contentious matters that may arise.

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's 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 virtually. Decisions may also be ratified by suitable exchange of correspondence.

8. Dr Gary Kildare was appointed chair of the Committee succeeding Jemima Coleman who remains a committee member. Owing to the death Ian Hamer in July 2022, a lay vacancy arose, and Catharine Seddon was appointed to the Committee to fill this vacancy. The Committee formally thanks Ian Hamer for his significant contribution to the work of the RNC for the years that he served as a member.

9. The Committee met on two occasions during 2022/23: on 31 August 2022 (delayed from the 5 July 2022) and on 1 February 2023.

10. The Committee attendance during 2022/23 was:

Jemima Coleman	2/2
Gary Kildare	2/2
Catharine Seddon	1/2

11. Executive attendees were as follows:

- Matthew Hill (Board Member, CEO and Accounting Officer)
- Holly Perry (Director, Enabling Services)
- Nicola Galiana (HR Manager)
- Stuart Hamill (Head, Finance and IT)
- Ethan Fleming (Corporate Governance Manager, and Secretary to the Committee)
- Margie McCrone (Head, Strategy and Policy – observing 31 August meeting)

Main activities

12. The main activities of the Committee in 2022/23 included:
    a. Nomination matters:
        i. Legal Services Consumer Panel – considering proposals regarding the reappointment of relevant members of the Panel.
        ii. Office for Legal Complaints – considering proposals regarding the appointment of two new members of the OLC Board, following the end of two OLC members' second terms. Considering proposals regarding the reappointment of the Chair of OLC.
        iii. Legal Services Board – considering the progress made by the Ministry of Justice as regards the appointment of a new Chair, one new non-lay Board member and two new lay members in 2023.
    b. Remuneration matters:
        i. Discussing the pay award and its impact on LSB colleagues along with considering non-pay options for improving the LSB's offer to colleagues.
        ii. Considering the gender pay gap data.
        iii. Receiving the annual governance review of the LSB's pension arrangements.
        iv. Discussing the increase in the maximum bonus amount that may be awarded to the CEO.
    c. Other executive employment matters:
        i. Reviewing resourcing trends including turnover, wastage and vacancy rates, sickness absence, tribunal and grievances.
        ii. Reviewing elements of the HR strategy, including diversity and inclusion, colleague engagement, and learning and development.
        iii. Reviewing the senior resourcing contingency plan.
        iv. Reviewing the People policies.
        v. Identifying relevant people/HR and remuneration risks and monitoring existing risks

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

How effectively the Committee complied with its ToR

14. In drafting this report the Committee had discussed if it has provided both sufficient and rigorous challenge of, and where necessary, appropriate support to the executive and concludes that it has.

15. Feedback from the executive is that the advice and challenge of the Committee is invaluable in testing emerging thinking regarding matters delegated to the executive, and in making sure the broadest range of perspectives is considered. The level of interest and commitment shown by the Committee to colleagues' well-being, engagement and overall effectiveness is valued highly.

16. The August committee meeting was not quorate owing to one lay member submitting their apologies and therefore the decisions taken were ratified via email in line with the terms of reference. Attendance is referenced at paragraph 10 above.

17. Oral reports of Committee meetings were presented to the Board by the Chair of the Committee and minutes circulated to all Board members.

Forward look to 2023/24

18. The Committee will continue to provide challenge, oversight and support to the executive, in line with its ToR, during 2023/24.

19. There will be a requirement to monitor, contribute and receive updates on the re-appointment of two Board members whose first terms end in 2024.

20. There will also be a need to advise the Board on the recruitment of one new OLC Board member a new Chair and two new panel members for the LSCP.

21. We will continue to monitor the impacts and approach to flexible and remote working.

22. In the context of continuing pressure on public sector pay, and the cost of living crisis, there will be a particular need to focus on ways of ensuring the LSB's compensation arrangements are satisfactory for recruiting and retaining staff, in what is a candidate-led market.

Annexes

Annex A – Committee Terms of Reference

Risks and mitigations	
Financial:	N/a
Legal:	N/a
Communications and engagement:	N/a
Equality and diversity:	N/a
Resource:	N/a
Environmental	N/a

Freedom of Information Act 2000 (FoI)		
Para ref	**FoI exemption and summary**	**Expires**
N/A	None	N/A

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 meeting papers will be circulated to the Board in advance of each Committee meeting and Board Members have a standing invitation to attend meetings in an observer capacity. The exception to this is the Chair of the Board which is dealt with elsewhere within these terms of reference.

19. 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

20. 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.

21. 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

22. 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

23. 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.

24. 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).

25. 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

26. 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.

RNC Terms of Reference Annex A

REMUNERATION AND NOMINATION COMMITTEE ANNUAL CYCLE OF AGENDA ITEMS		
Standing items	**Feb**	**July**
Approval of previous minutes	√	√
Matters arising and outstanding action points	√	√
Review of Board, OLC and Panel succession planning	√	√
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		√
HR policy review (as required)	√	√
Talent management strategy and executive succession plan		√
Committee Annual Report – for approval	√	
Annual RNC performance self-assessment and review of Committee Terms of Reference		√

[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