Meeting: NSS Board held on 29 June 2018

Paper Number: B/18/77

Title of Paper: NSS Remuneration and Succession Planning Committee (RSPC) Annual Report 2017/18

Paper Type:
This is a routine paper highlighting the work of the Committee over the year.

Decisions Required
The Board is asked to approve the Annual Report for 2017/18.

Analysis:
The Report details membership, meeting dates, and outlines matters considered by the Committee during 2017/18. It provides an assurance to the NSS Board and Staff Governance Committee that the Remuneration and Succession Planning Committee has discharged its responsibilities in line with its remit under the terms of NSS’s Standing Orders.

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Role(s) of Author(s) Chair of the Remuneration and Succession Planning Committee
Annual Report to NSS Board and NSS Staff Governance Committee by the NSS Remuneration and Succession Planning Committee, April 2017 – March 2018

1. INTRODUCTION
1.1 The purpose of the annual report is to provide a summary of matters considered and to provide an assurance to the NSS Board and NSS Staff Governance Committee that the NSS Remuneration and Succession Planning Committee has fulfilled its remit.

2. MEMBERSHIP
2.1 The Members of the Remuneration and Succession Planning Committee during the year were:-

2.2 • John Deffenbaugh, Non-Executive Director
• Alison Rooney, Non-Executive Director (from 26.06.17)
• Douglas Yates, Non-Executive Director (until 30.04.17)
• Ian Cant, Employee Director
• Elizabeth Ireland, NSS Chair

The following are normally in attendance at meetings of the Committee:-

• Chief Executive
• Director of Human Resources (HR) and Workforce Development
• Board Secretary

3. MEETINGS
3.1 The Committee met for scheduled meetings on the following dates:-

• 12 June 2017
• 8 December 2017
• 1 March 2018

4. MINUTES OF AND ACTIONS FROM MEETINGS
4.1 Detailed and comprehensive minutes are prepared after each meeting in order to provide a clear audit trail and as evidence if required by the Scottish Government.

4.2 An action register is prepared to manage actions agreed from each Committee meeting and is reviewed at each meeting.

5. COMMUNICATION TO BOARD ETC.
5.1 The minutes of the Committee must be kept confidential because they contain details of named individuals. However, the following procedures are followed to ensure members of the NSS Board and NSS Staff Governance Committee are appropriately informed and assured:-

(i) A verbal report is given to the Board meeting following the Committee meeting.
(ii) An anonymised summary is prepared after meetings and submitted to the Board.
A verbal report is provided to the Staff Governance Committee by the Chair of the Remuneration and Succession Planning Committee. Additional assurance can be given to the Committee if required by the NSS Chair, who is also a member of the Remuneration and Succession Planning Committee.

6. OBJECTIVES AND PERFORMANCE APPRAISALS

6.1 The Committee is required to review the objectives set for members of the Executive Cohort and review their performance appraisals in order to satisfy itself that the performance management process and its application is transparent, rigorous, evidence-based and fully documented. Information summarising final performance appraisals is then submitted to the National Performance Management Committee (NPMC) for their approval.

6.2 The Committee considered the year-end appraisals at its meeting in June 2017 and were satisfied that a rigorous performance management appraisal process had been applied in determining the scores and overall performance ratings for 2016/17. The NPMC confirmed in November 2017 it was content with the appraisal outcomes for NSS for 2016/17.

6.3 There was also a discussion around the 2017/18 performance plans for individuals in the Executive Cohort. A number of points were highlighted in respect of individuals’ objectives and the overall performance plans. The Committee confirmed its support for the plans.

6.4 The Committee also received an assurance from the NSS Chief Executive that the 2016/17 year-end performance appraisals for individuals in the Senior Management Cohort had been reviewed and appropriately ‘Grandparented’.

6.5 It is the Committee’s responsibility to satisfy itself that a process has taken place to formally assess the performance of NSS staff based at the Scottish Government Health and Social Care Directorates (SGHSC) at the end of the performance period. In December 2017, the Committee had sight of the proposed 2016/17 performance appraisal outcomes for the four NSS employees on Senior Management pay arrangements who worked at SGHSC and noted that one of the four had now retired. NSS had been advised that the spread of outcomes had been considered by the SGHSC’s Moderation Panel. Members noted the outcomes and were reminded that they did not have access to the SGHSC Moderation Panel’s deliberations on these appraisals and the Committee was not in a position to ensure that these were consistent with other NSS ratings or otherwise to endorse them. The Members could only satisfy themselves that a process had taken place to formally assess the performance of NSS staff based at SGHSC at the end of the performance period. On the basis of the currently available information to the Committee, a similar position existed for NSS staff outside of the Executive and Senior Management Cohorts. Members needed to be provided with the necessary assurance that appraisals were being done with rigour and for potential in all areas of NSS. This would be addressed in time for the Committee reviewing the end of year appraisals for 2018/19.

6.6 Mid-year reviews of performance for individuals in the Executive Cohort for 2017/18 were undertaken in December 2017 and the Committee was reassured that members of the senior team were delivering against objectives and remained on target. Having discussed a number of points in respect of individuals’ performance, Members confirmed they were satisfied with the performance management process and overall mid-year results. The need to balance external and internal focus in delivering NSS strategic direction would be captured when setting objectives for 2018/19. At the Committee’s request, an outline of the exercise followed in developing the Executive Cohort’s
performance objectives would be provided at the June 2018 meeting. They would also receive an assurance around the continuity of this process and a high level summary of the performance of the Executive and Senior Management Cohorts for the financial year 2017/18.

7. SUCCESSION PLANNING

7.1 Consideration was given to the outcomes from the succession planning exercise in terms of the individuals in the Executive Management Team and their direct reports and potential gaps. Plans were being considered with HR support to ensure any risks were mitigated. There was still room to increase focus on succession planning and in particular the potential as well as performance of individuals across the organisation. Next year’s exercise would also capture the development and future composition of the NSS Board. NSS had delivered a Succession Planning approach for a number of years which had delivered well for the top two tiers of the organisation. A different approach was now being developed and the Committee discussed the limitations of the current process and way forward. This would ensure key leadership or business critical roles were backfilled. It would also ensure little or no impact on the smooth running of the business should the incumbent post holder move to a new opportunity, was promoted, had a long term absence or retired. The Committee wholeheartedly supported the proposed approach.

8. APPOINTMENTS AND TERMINATIONS

8.1 During the year, the Committee ratified decisions taken out of committee/notifications in relation to appointments to the Executive Cohort, other senior appointments and termination settlements where the costs were in excess of £75,000.

8.2 As part of the process for authorising the recruitment of vacancies and salaries on appointment, the Committee received regular monitoring reports outlining recruitment to new/additional posts. This included an overview of key trends of recruitment for all diversity strands. There was good evidence that the NSS recruitment process was fair and robust. The number of candidates under protected characteristics remained relatively consistent. The split in appointments of internal and external candidates was more balanced which provided NSS with a good mix of new perspectives and experiences. The Committee welcomed the activity in support of creating more opportunities or posts that would be appropriate for young people and those with a disability. The work that NSS was doing in this area had been shared with the National Boards and colleagues in the NSS (dis)Ability Staff Network and Trade Unions would be involved in helping to design those activities.

8.3 Losses and special payments which had been authorised for 2016/17 in accordance with the NSS Standing Financial Instructions and presented to the NSS Audit and Risk Committee in May 2017 were noted. Some additional details on the employee settlements and lessons learned were provided.

9. REMUNERATION AND TERMS AND CONDITIONS

9.1 The Committee was provided with the following NHS Circulars during 2017/18:

- PCS(ESM)2017/1 which announced the pay arrangements for 2017/18 in respect of the Executive and Senior Management Cohorts.
- PCS(MD)2017/1 which announced a change to the management fees for Health Board Medical Directors/former Medical Directors on Protection. It also clarified the value of Discretionary Points and detailed action which might require to be taken.
9.2 The Members of the Committee can give assurance to the NSS Board and NSS Staff Governance Committee that NSS is fully compliant with Government requirements on Pay and Terms and Conditions.

10. CONSULTANTS’ DISCRETIONARY POINTS

10.1 Recommendations from the NSS Consultants’ Discretionary Points Committee on the awards for 2017 were discussed at the December 2017 meeting and Members confirmed they were content to approve the Points awarded. The draft Minutes from the Discretionary Points Committee meeting were also circulated to allow Members to satisfy themselves that there was clear evidence as to how it had conducted the process.

11. ANNUAL REPORT FROM DIRECTOR OF HR AND WORKFORCE DEVELOPMENT

11.1 The 2016/17 Annual Report from the Director of HR and Workforce Development was considered. This provided key salary, grade, financial and employment information relating to NSS staff for the period 1 April 2016 to 31 March 2017. It had been produced annually over seven consecutive years which enabled changes and trends within the report to be mapped out over this time and potential risks to NSS to be identified. In particular the Committee noted that:-

- the number of staff employed under Executive Level/Senior Management terms and conditions continued to decrease whilst the number of staff in Agenda for Change (AfC) posts with salaries over £75,000 had increased. This was mainly attributed to both incremental progression and a 1% cost of living rise associated with AfC posts;
- the percentage of employees with salaries over £75,000 were male which was inconsistent with the gender profile of NSS overall. This had been identified as part of the work undertaken to produce the 2017 NSS Equal Pay Gap report and further analysis would be undertaken to explore the reasons in more detail;
- the costs associated with approvals for extensions to sick pay had reduced. Approvals in 2016/17 had been mainly for lower graded employees with shorter extensions to sick pay being requested. Focus had been on return to work plans and OHS referrals being managed more effectively and being put in place prior to any extension being granted unless under exceptional circumstances;
- leased car usage continued to reduce along with the associated costs and this was likely to continue; and
- overtime continued to decrease as had Additional Hours Payments.

11.2 The Committee was reassured that NSS pay, terms and conditions were implemented effectively and monitored on a regular basis ensuring mechanisms were in place to support any area of concern should they arise.

11.3 At its meeting in March 2018, the Committee discussed what additional information they would find helpful to have included in the 2017/18 report. This included:-

- an Executive Summary providing a narrative on the analysis and key points/ actions for consideration;
- analysis of gender profile for all NSS staff (not just those with salaries over £75,000);
- consideration as to how the Pay Gap Report could be used to help inform the HRWD Annual Report; and
- a contextual piece on NSS activities e.g. transformational change.
12. COMMITTEE’S TERMS OF REFERENCE AND PROCEDURES

12.1 As requested to do so on an annual basis, the Committee reviewed its Terms of Reference as laid down in the NSS Standing Orders and agreed to include a fuller descriptor of the Committee’s purpose and add ‘potential’ to the assessment of individuals in the Executive Cohort. The section on appointments was also amended to reflect that the National Boards’ position on recruitment should be taken into consideration when making appointments. The Committee also reviewed its internal note on procedures and effectiveness.

13. INTERNAL AUDIT PLAN

13.1 All NSS Board Committees had been asked to consider what they would like to have included in the Internal Audit plan for 2018/19. Members had no specific issues to raise in relation to the proposed areas to be audited.

14. CONCLUSIONS AND ASSURANCE TO BOARD AND STAFF GOVERNANCE COMMITTEE

14.1 The Members of the NSS Remuneration and Succession Planning Committee conclude that they have given due consideration to the effectiveness of the systems of control concerning remuneration, performance appraisal and succession planning within NSS and can give assurance to the NSS Board and NSS Staff Governance Committee that they have discharged their responsibilities on behalf of the Board and in line with their remit under the terms of the Standing Orders for NSS.

John Deffenbaugh
Chair of the NSS Remuneration and Succession Planning Committee
June 2018