

Minutes of a meeting of the Remuneration and Nomination Committee (RNC)

Date:	5 July 2019	
Commencing:	11:00	
Venue:	LSB Offices, One Kemble Street, London WC2B 4AN	
Present:	Jemima Coleman	Chair of RNC
(members)	Jeremy Mayhew	(from item 5)
	Marina Gibbs	
In attendance:	Neil Buckley	Chief Executive (CEO)
	Holly Perry	Head of Corporate Services (except item 11)
	Nicola Galiana	HR Manager (except item 11)
	Steph North	Corporate Governance Manager (except item 11) (minutes)
Observers:	Tom Peplow	Regulatory Policy Manager (except item 11)
	Puja Vadgama	Regulatory Policy Associate (except item 11)

Item 1 – Welcome and apologies

1. The Chair welcomed those present to the meeting, in particular the two observers. This was the second time that executive colleagues had been invited to observe the Committee meeting. No apologies had been received.

Item 2 – Declarations of interests relevant to the business of the Committee

2. There were no declarations of interest.

Items 3 – Minutes of the meeting of 5 February 2019

3. The minutes of the meeting held on 5 February 2019 were approved as drafted.

Item 4 – Action tracker

4. The Committee **noted** the action tracker, including the following in particular:
 - Items 1, 4, 6-7 (LSB lay members; NED update LSCP; HR strategy update and HR policy review) were complete; item 3 (NED update - OLC) would be covered on the agenda - **ACTION** - extra meeting of the RNC to be scheduled for one hour in

September (to discuss OLC Chair reappointment and LSB pay award - *post meeting – this has been scheduled for 18 September*).

Item 5 – Non-executive appointments update - Paper (19) RNC 06

5. The Committee's terms of reference required it to consider a variety of matters regarding non-executive appointments, including in relation to the Board, the Legal Services Consumer Panel (LSCP) and the Office for Legal Complaints (OLC).
6. The following points arose in discussion:

LSB Board

- The Committee **agreed** there was a need for the appointment of two new members – to take up post on 1 April 2020 – on David Eveleigh and Marina Gibbs' departure. One of these would be a non-lay position to replace David Eveleigh. There were contrasting views as to whether the second position should also be non-lay - reflecting the fact that the outgoing CEO was a non-lay member, and the incoming CEO would be a lay member. Arguments for included: broader representation of the legal sector and potentially greater credibility with stakeholders; a 6-4 ratio lay/ non-lay would give a more balanced Board. Arguments against included: historically the 7-3 ratio had worked well; the potential for quorum issues if one or more lay members were absent at any time; the (unlikely) event of the incoming CEO leaving after a short period and his successor being a non-lay member would create multiple and immediate governance challenges. **ACTION:** raise with the Chair the possibility of recruiting for two non-lay members [*post-meeting note, LSB Board at its meeting on 16 July agreed to advise the MoJ that the Board suggested they recruit for non-lay members*]
- In relation to the skill set required of the new non-lay member(s), it was noted that there was interest for barristers and high street practitioners to be on the Board, that the LSB had had barrister members in the past, and that public sector / in-house experience would also be advantageous.
- In relation to the skill set required of a new non-lay member(s), it was noted that the audit and risk experience that would be lost when Marina Gibbs' departed had been mitigated by the recent addition of Catherine Brown to the Board. Competition experience would be important in a new Board member, mindful of the need not to unduly restrict the pool of candidates.
- A recruitment planning meeting was scheduled with MoJ officials on 15 July.

OLC

- The Committee noted that the recent appointees to the OLC were settling in well, and that two lay members - Wanda Goldwag and Rebecca Hilsenrath - were coming to the end of their first terms on 31 March 2020.
- Rebecca Hilsenrath had indicated her willingness to be reappointed for a second term, and appraisal feedback had been very positive. The Committee **approved** the OLC Chair's recommendation to re-appoint Rebecca for a four-year term and the same recommendation would be put to the LSB Board for approval at its meeting on

16 July. [*post-meeting note, LSB Board agreed to reappoint Rebecca Hilsenrath for a four-year term its meeting on 16 July*]

- With regard to the OLC Chair, no decision on reappointment had yet been made. There remained concerns around LeO performance, and the Chair's time commitments elsewhere. The latter point had been raised with the MoJ in relation to the Chair's combined remuneration being above the £150k public appointees' salary threshold. However, the Committee were mindful that changes would take time to embed, and improvements may yet be seen in the coming weeks and months. It was noted that a Board to Board meeting between the LSB and OLC was scheduled on 22 July and that it would be helpful to check in on progress after that.
- Owing to the lead time for recruitment of a new Chair were a reappointment not made, it was imperative that a decision be made in September to allow sufficient time for a new Chair appointment process to take place, not least because one element of the appointment would be a pre-appointment scrutiny hearing with the Justice Select Committee. It was noted that if an internal candidate acted up as interim Chair, an appearance before the Justice Select Committee (JSC) would not be required – although communication with the JSC of the LSB's plans would be important - and so this option would be an acceptable contingency plan.
- The Committee **agreed** to hold an extraordinary meeting in September to resolve the matter of the OLC Chair.

Consumer Panel

- The Committee **agreed** to commence a recruitment exercise to fill one vacancy, on the basis that a vacancy would arise in early 2020. There had been a successful recruitment exercise for four candidates in early 2019, with three appointees already in post and one, Paul Crook, to take up post on 1 November 2019.
 - The Committee was content to engage WIG Talent for the recruitment, following a strong field of candidates in the most recent recruitment rounds.
 - Feedback on skills and experience required for the new candidate had been sought from the LSCP Chair and Manager - it was agreed that an economist would be helpful, and that applications should be encouraged from candidates from a diverse background.
 - The Committee **approved** the suggested composition of the interview panel (Jemima Coleman Chair of RNC to chair the panel; Sarah Chambers, Chair of the Consumer Panel; and an independent member).
7. The Committee noted that the LSB had actively responded to the Lord Holmes Review into encouraging more disabled candidates in public appointments, and that a guaranteed interview scheme was in place for disabled candidates who met the minimum requires for the role. The LSB would continue to encourage a wide range of applicants, and would work with WIG Talent to ensure candidate packs were worded in such a way as to be open to all candidates.
8. The Committee **noted** the schedule of appointments for LSB Board, OLC and LSCP, and – subject to the points raised in discussion, **agreed** the proposals for the recruitment of new members.

Item 6 – Performance and pay 2019 including gender pay analysis - Paper (19) RNC 07

9. The Committee considered the paper prepared by the HR Manager, **noting** that the LSB had agreed in February 2019 to review its appraisal process. Following feedback from colleagues, SLT, and in line with recent CIPD research, changes had been made to the appraisal process for 2019. There had been some mixed views amongst colleagues about anonymous feedback, with the perception that it might encourage negative feedback with no accountability mechanism. In the new system, colleagues would be able to decline a request to provide feedback, as well as to provide confidential feedback. A training session on providing feedback had been delivered to all colleagues, the mid-year review had been revised to a ‘checking-in’ exercise with no formal write-up required, and the performance score and box markings had been removed from the appraisal form. It was agreed that these were sensible steps, not least because without any financial reward for good performance, not reaching the highest markings was demotivating for colleagues. The important part of the appraisal was to encourage high quality conversations between colleague and line manager, as well as regular feedback throughout the year. Every colleague would be encouraged to think about how to improve their performance, and honesty would be encouraged to help development and make difficult conversations easier should the need arise.
10. At the time of writing, confirmation of the pay remit had not been received from MoJ, however an indicative figure of 2% had since been received, which was based on HMT guidance and which had been included in the budgeted. The MoJ had asked the LSB not to submit its pay remit yet. Payments would be backdated to 1 July. There was a separate pay award for SLT members, SCS equivalents, which was not expected until December 2019. The Committee noted that any pay increase would not be paid out to colleagues who had left the LSB at the time of the award, and that the overall delay was unsatisfactory.
11. On the gender pay and equal pay analyses, the Committee **noted** the following points: gender pay analysis - as at 31 March 2019, the mean hourly pay gap had reduced substantially and the median pay gap remained the same;

Item 7 – Resourcing trends 2019 including themes arising from exit interviews - Paper (19) RNC 08

12. The Committee considered the paper prepared by Nicola Galiana, which was an annual standing item setting out a summary of LSB leavers in the past year. Turnover had been high in the past few years but had declined significantly this year and there was now a zero vacancy rate, which meant the staffing budget would need to be carefully monitored. The annual sickness absence figure had reduced slightly - taking out long-term sickness, the rate was much better than the public sector average. Themes arising from exit interviews included: positive views of flexible working; meaningful work offered; positive changes to working culture and support from HR.
13. The following points were raised in discussion:

- it was positive that many colleagues had left for career progression, and that health and wellbeing initiatives had been rolled out;
- The majority of new colleagues had been recruited directly, without the use of agencies. The HR Manager had provided invaluable support with this.

14. The Committee **noted** the resourcing trends.

Item 8 – Annual review of colleagues’ terms and conditions - Paper (19) RNC 09

15. The Committee considered the paper, prepared by the HR Manager, which set out colleagues’ current terms and conditions.

16. No changes were proposed to the prevailing terms and conditions of the incoming Chief Executive who had recently been hired or to the Strategy Director. No other colleagues were on executive contracts. Some changes were proposed to colleagues’ terms and conditions and standard benefits, as follows:

- *Maternity pay* - Maternity pay had been increased from 12 weeks to 18 weeks in 2018. The proposal was to now increase this to 22 weeks which was the average amongst other regulators and the wider public sector. Two colleagues benefitted from the last increase, and two colleagues were set to benefit from this proposed increase. The increase would be for paternity and adoption leave as well, and the HR Manager confirmed that there was sufficient budget to support the increase.
- *Notice period* - the notice period was currently 3 months for executive colleagues. A common complaint arising at exit interviews was that this was felt to be overly burdensome, and that more flexibility would be welcomed. Some line managers allowing early leave on a discretionary basis was leading to an inconsistent approach. It was proposed to reduce the notice period to one month for associates, with discretion permitted on an exceptional basis for manager colleagues and above. It was acknowledged that in many cases colleagues were likely to have mentally ‘checked-out’ before the three month period, which was neither good for them nor the organisation.
- *Probation period* - the probation period was currently 3 months. The executive’s recommendation was to increase this to 6 months so as to pick up issues which might arise after an initial settling-in period, and after longer exposure to the work required. It was agreed that there would be a ‘check-in’ meeting after 3 months, and if a colleague was clearly performing at a high level, the probation period could be waived before 6 months.

All colleagues

- Pay bands for other colleagues had been reviewed and agreed by RNC in February 2018. To ensure the LSB remained competitive and to attract the best candidates, a pay review would be undertaken in the Autumn and a paper would be produced for the February 2020 meeting (action).

- The Committee **agreed** to reduce associates' notice periods to one month, checking the legality of any outstanding annual leave to be taken on top of this, and also **agreed** to increase all colleagues' probation period to six months.
- The Committee **agreed** to increase the LSB's maternity and adoption pay to 22 weeks, to bring the LSB closer to competitors' offering, and to extend the enhancement to shared parental leave pay.

Terms and conditions of non-executives

17. No changes to the terms and conditions of non-executives were currently proposed, though the Committee asked that the rates for LSCP members be reviewed at the next opportunity.
18. The Committee **noted** the review of colleagues' terms and conditions.

Item 9 – Policy review - HR policies- Paper (19) RNC 10

19. The Committee considered a paper prepared by the HR Manager. There had been a full review of HR policies in 2018 and so few changes were proposed. The biggest issue on the horizon related to preparations for the office move. Several rounds of 1:1 consultation had taken place with the HR Manager and colleagues, and a working group had been set up to consider behaviours for the new ways of working e.g. rules for hot-desking.
20. The Committee **noted** the HR policies update.

Item 10 – Colleague survey - oral update

21. The Committee **noted** that BMG Research had been engaged to carry out this year's Colleague Survey. The survey went live on 1 July and would remain open until 18 July. The executive were hoping for a 100% response rate. The findings would be presented to SLT at its 20 August meeting.

Item 11 – Succession Planning

Steph North, Holly Perry and Nicola Galiana left the meeting

22. The Chief Executive provided the Committee with an update on succession planning.
23. There was no other business.

SN 17/07/2019

Signed as an accurate record of the meeting

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Date

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