

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

**Date:** 4 February 2020  
**Commencing:** 11:00  
**Venue:** LSB Offices, The Rookery, 2 Dyott Street London WC1A 0AA

**Present:** Jemima Coleman Chair of the Committee  
**(members)** Marina Gibbs  
Ian Hamer

**In attendance:** Matthew Hill Chief Executive (CEO)  
Nicola Galiana HR Manager (except item 12)  
Steph North Corporate Governance Manager  
(*minutes*) (except item 12)  
Holly Perry Director, Enabling Services  
(except items 6 and 12)  
Melanie Stewart Head, Finance and IT (item 6)

**External attendance:** Rob Thomas Barnett Waddington (item 6)

### Item 1 – Welcome and apologies

1. The Chair welcomed those present to the meeting, including Ian Hamer at his first meeting as a member of RNC.

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

2. There were no declarations of interest.

### Items 3 – Minutes and reports of action points of the meeting of 5 July 2019

3. The minutes of the meeting held on 5 July 2019 were approved as an accurate record. The Committee noted that as part of the LSB Publication Scheme, the RNC's approved minutes would be published, subject to FoIA exemptions, on the LSB website.

### Item 4 – Noting of decisions taken out of committee since the last meeting

4. No decisions had been taken out of committee since the last meeting.

### Item 5 – Action tracker

5. The Committee **noted** the action tracker.

### Item 6 – Annual pensions governance review - Paper (20) RNC 01

6. A pensions adviser from Barnett Waddingham (BW) joined the meeting for this item. The Committee considered the paper, **noting** that the LSB had arranged individual defined contribution pension provision provided by Scottish Widows, with BW appointed as the LSB's pensions adviser. The scheme was subject to an annual governance review by BW. Scottish Widows was viewed to be the preferred provider – there was a contingency plan in place should Scotland become independent.
7. Rob Thomas gave a short presentation, key points included:
  - The number of colleagues in the fund had reduced, and the age profile had decreased – indicative of the fact that a number of senior colleagues had withdrawn their pension plan from the scheme.
  - BW would provide a staff update seminar in February 2020.
  - In terms of the wider pensions climate, and in line with policy changes, it would be prudent for the LSB to consider raising the default retirement age from 65 to 66 – pension benefits could be taken any time from age 55.
  - As part of a sector-wide initiative, BW was developing a pensions dashboard – so that pension holders could see their accrued pensions in one place.
  - The Pensions Bill sought to improve the accessibility of benefits statements. Presently, insufficient information was presented.
  - In addition, there was an industry-wide drive towards greater transparency on environmental and climate issues.
8. The Committee **noted** that:
  - There had been an administrative error in terms of how employee and employer figures were reported to Scottish Widows – this had now been rectified and it was confirmed that there would be no tax implications.
  - It was anticipated that more people would need advice upon reaching retirement age and may need to 'shop around' when it comes to drawing down their pensions pot.
  - Environmental, social and governance (ESG) considerations were difficult to compare across providers as there was not presently a standard set of comparators. BW could ask 'what is the provider doing to support ESG providers?' BW would provide an update on this in due course - indeed it was suggested that ESG could form part of the request for what a fund must have before it was chosen.
9. The Committee **noted** the results of the annual pension scheme governance review.

#### **Item 7 – Non-executive appointments update - Paper (20) RNC 02**

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

LSB Board

- The process for recruiting three new members – two non-lay and one lay - to the LSB Board was ongoing. There was a strong field of candidates and interviews were scheduled for early March. To mitigate an expected period of delay in taking up appointment beyond 1 April, a recommendation had been made to the Lord Chancellor to extend the second terms for outgoing Board members Marina Gibbs and David Eveleigh, until the end of July 2020, with flexibility for the new appointees to take up post before then should they be available. No further vacancies were scheduled to arise until Spring 2022.

#### OLC

- OLC Chair interviews were scheduled to take place on 10 February 2020. A report would go to the Board by correspondence later in the w/c 10 February to agree the interview panel's preferred candidate for appointment, before going to the Lord Chancellor ahead of a Justice Select Committee hearing.
- This was a tight schedule but the timings were in fact similar to the last Chair recruitment exercise in 2017.
- Arrangements were in place for an interim Chair, in the event of an interregnum
- The RNC would consider the case for upcoming reappointments at its next meeting.

#### LSCP

- The recruitment process to fill one vacancy on the Panel had been successful. The interviews had been held on 6 December 2019 and the successful candidate had been appointed for a three-year term commencing 1 April 2020.
- The RNC would consider the case for upcoming reappointments at its next meeting, including that of the LSCP chair

12. The Committee **noted** the schedule of appointments for the LSB Board, OLC and LSCP.

#### **Item 8 – HR strategy update**

13. The Committee considered the papers prepared by the HR Manager, which set out an update on the HR strategy in two parts: learning and development update, and a pay and benefits benchmarking exercise. Each paper was considered in turn and the following points highlighted:

#### ***Learning and development Paper (20) RNC 04***

14. The LSB was changing the way it delivered learning and development for 2020/21. Previously, there had been individual allocations for training, with some organisation-wide training. Training had not historically been aligned with the LSB strategy. This would now change. At the most recent all-colleague away day, colleagues had expressed a preference for more collective training, and a group exercise considered some options for all-colleague training had been considered at a Colleague Forum. As a result, the Executive was proposing to:

- Make clearer that the organisation was committing to investing in capability to deliver the LSB's strategy
- That training was an important part of that investment (and not an optional extra)

- Shift the balance of funding allocation towards collective training
- While recognising that most training investment would be collective, to continue to provide for individual training subject to an appropriate business case (and indeed to remove the existing financial cap on individual training)

15. Initial proposals had been well received by colleagues.

16. The Committee considered the learning and development paper and the following points were raised in discussion:

- Annual refresher training was planned on cyber security and information security. The Audit and Risk Assurance Committee considered the wider schedule of training in this area.
- The LSB was considering secondments to bring in relevant skills and experience – were this to happen, the LSB would pay the salary of the secondee. The secondments would be short and for specific projects.
- Leadership training – colleagues were seeking further development in skills training and the Senior Leadership Team (SLT) had started to develop its own approach to collective leadership.
- Broader leadership activity should also be supported, for example, events management.
- Cross-organisation mentoring was a possibility, though one with limited take up so far. Board members could also be utilised to provide mentoring opportunities – including those with experience at other regulators.

***Pay and benefits benchmarking Paper (20) RNC 04***

17. The HR Manager had carried out a desk-based review of colleague pay and benefits on the basis that external benchmarking would have been prohibitively expensive. The Executive wanted to satisfy itself that the pay bands were broadly correct, and that the LSB was able to attract the best talent.

18. The exercise had found that the LSB was in the right ballpark. On balance, the Director pay was slightly lower than comparators, and some admin roles salaries were higher than the current pay band, mainly owing to market conditions. It had been considered whether to merge the 10% benefits allowance with salary – but this would have an impact on pensions and so was not currently being pursued.

***Manager pay band***

19. The Committee considered the points set out in the paper relating to the size of the manager pay band, which was very wide, and the following points were raised in discussion:

- As the LSB was levy funded, it would be important to justify any increases in costs.
- There would be no change to the overall level of the salary pot.
- [REDACTED]

[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED].<sup>1</sup> [information redacted under s22 FOIA]

20. The executive would reflect on points raised and circulate a revised paper by correspondence – in order to make potential changes from April 2020 (**action**).

*Colleague pay award*

21. All colleagues below SLT level, after being at the LSB for a certain period of time, were eligible for the Ministry of Justice's pay award. Due to the nature of the cut off for eligibility, some colleagues had to wait almost 2 years after starting at the LSB for the increase. It was proposed that a graduated approach be introduced to counter the lengthy delay.

22. The Committee **agreed** the proposal, which would need to be costed before the pay award was awarded in this way, and to be accounted for in future budgets.

*SLT performance-related bonus*

23. Members of SLT present declared an interest in this item.

24. The Chief Executive had proposed that the executive explore the possibility of establishing a performance-related pay element for SLT dependent on collective achievement of team objectives. It would be intended to promote the importance of team-working and effective leadership. The Chief Executive made clear that he did not expect to benefit from any such arrangements<sup>2</sup>.

25. The Committee considered the proposals and the following points were raised in discussion:

- A team bonus would be an innovative scheme
- The rationale for limiting such a bonus to SLT colleagues included that separate arrangements were in place for SLT that did not extend access to the reward schemes in place elsewhere in the organisation e.g. instant reward
- Objectives and success measures would be developed in conjunction with the LSB Chair and SLT. The Chief Executive would be the assessor, with a recommendation being put to the RNC for an independent element to the process.
- It was suggested that the objectives could be linked to Colleague Survey results – employee engagement in large part was led by leadership qualities.

26. The Committee **agreed** that the proposal should be explored further and an update provided to RNC for further consideration and approval. Any changes to pay and benefits should be shared with the ARAC.

---

<sup>1</sup> We will publish the redacted sections once our pay business case has been approved by MoJ, which we expect to be by the end of September 2020.

<sup>2</sup> Post meeting note: it was subsequently agreed not to proceed with the performance-related pay element of the proposals – but that shared objectives were being progressed.

27. The Committee **noted** the update on the HR strategy.

#### **Item 9 – HR policy review - Paper (20) RNC 05**

28. The Committee considered the paper, which was presented by the HR Manager and set out minor amendments to the LSB's internet, telecommunications and email policy. ARAC had suggested some changes following the recent office move and IT transformation.

29. The following points were raised in discussion:

- Internet policy – the HR Manual was colleague-focused. Provisions affecting Board members and Consumer Panel members should be cross-referenced with the LSB's Governance Manual.
- In relation to the element of the policy that related to use of online music streaming, it was clarified that the policy was intended to underpin the expectation that staff should ensure that their capability to deliver their duties – including engaging with relevant colleagues – was not unduly hindered.
- There was a defined reporting route should an LSB laptop be lost.

30. Minor changes were proposed to the health and safety policy, reflecting hotdesking practice. Work-station assessments were being carried out for all colleagues, and a link to Health and Safety Executive guidance on homeworking had been added to the policy.

31. The Committee **noted** the HR policy update.

#### **Item 10 – LSB values – oral update**

32. The Director, Enabling Services, provided an oral update on ongoing work on the LSB's values. The consensus amongst the executive was that these needed to be updated in light of new work programmes and the next three-year strategy being developed. Over the past few weeks, several sessions were held with groups of colleagues to seek feedback and ideas for new values. Some clear themes had emerged, and there was a values session planned with the full Board on 27 February. Following that, the project would bring together the work to date and provide a further update to the Committee in due course. The executive would work with the communications team to ensure the outputs were effectively communicated internally and externally, as well as built into all processes from recruitment to performance management.

33. The Committee **noted** the update.

#### **Item 11 - Draft RNC annual report 2019/20 - Paper (20) RNC 07**

34. The Committee considered the draft annual report of the Committee for 2019/20, which incorporated a review of activities during the year as well as an assessment of the Committee's performance. The intention was for Jemima Coleman, as RNC Chair, to present the report to the 26 March 2020 Board meeting.

35. The Committee commented as follows:

- The report provided a helpful reminder of the business of the Committee over the past year, including a high degree of involvement in various non-executive director recruitment exercises.
- The report was proportionate in reflecting the role of the Committee to offer constructive challenge and support to the executive. The Committee held no great powers, being to a large extent a recommendation-led body. A key measure of success was placed on the weight of how the executive viewed the work of the Committee.
- Executive feedback was that the Committee was very helpful in providing assurance that work was on track, that new points of view were considered, and different areas of questioning were pursued. The executive particularly valued the time committee members were willing to give outside of meetings.
- There had been positive feedback on the quality of discussions from colleagues who had observed a Committee meeting.

36. The Committee **approved** the draft report, which would be submitted to the Board as a contribution to the LSB's Annual Report and Accounts for 2019/20.

**Item 12 – Senior staff resource contingency plan**

37. The Committee held a discussion in private with the Chief Executive in attendance, to consider the senior staff resource contingency plan.

**Item 13 – Any other business**

38. There was no other business.

**Date of next meeting**

39. The next meeting of RNC would take place on 14 July 2020 14:45 – 16:45.

SN 14/02/2020

Signed as an accurate record of the meeting

.....  
Date

.....