

YORKSHIRE AND THE HUMBER STRATEGIC HEALTH AUTHORITY

21 DECEMBER 2006

Report of the Chief Executive

MEMBERSHIP OF COMMITTEES OF THE STRATEGIC HEALTH AUTHORITY BOARD

The NHS Audit Committee Handbook, NHS Codes of Conduct and Accountability and the Higgs Report require the establishment of an Audit Committee and Remuneration and Terms of Service Committee for the Strategic Health Authority (SHA).

At its first meeting on 4 July 2006, the SHA Board approved a Corporate Governance Framework Manual, which included Standing Orders and terms of reference for the two statutory committees of the Board. (Copies of the terms of reference are appended for ease of reference).

Following the appointment of substantive non-executive directors to the Board, the Board is asked to note the composition of the Committees as outlined in Standing Orders and the Committees' terms of reference and to confirm the membership as follows:

Audit Committee

Composition - Non-executive member of the Board appointed as Chairman by the Appointments Commission, plus two non-executive directors.

Membership - Mr Michael Collier has been appointed as Chairman. Mrs Jayne Jack and Mr Ian Walker, Non-executive Directors, are nominated as members.

Remuneration and Terms of Service Committee

Composition – the SHA's Chairman and at least two non-executive directors.

Membership – Mrs Kathryn Riddle (Chairman) – Mrs Janet Dean and Mrs Jane Fenwick are nominated as formal members, although all non-executive directors are invited to attend.

Recommendation

The Board is asked to note and confirm the following Committee membership:

Audit Committee: Mr Collier (Chairman), Mrs Jack and Mr Walker

Remuneration and Terms of Service Committee: Mrs Riddle (Chairman), Mrs Dean and Mrs Fenwick

Margaret Edwards
Chief Executive

COMMITTEES OF THE AUTHORITY TERMS OF REFERENCE

35. AUDIT COMMITTEE

35.1 Terms of Reference

The Board will establish an Audit Committee, the Terms of Reference of which will be approved by the Board.

35.2 Membership

The Appointments Commission shall appoint the Chair of the Audit Committee who shall also be a non-executive member of the Board. The Board shall also nominate a further two members to form this committee and they shall be non-executive directors of the Board. The Chair of the Board shall not be a member of the Audit Committee.

The members of the committee will be given induction and training in their role, including some training in financial issues and understanding of internal control.

Other than the Chair appointed by the Appointments Commission, the Board should determine when the members of the Audit Committee should be rotated.

35.3 Quorum

The Committee shall be quorate when at least two members are present.

35.4 Attendance

The Audit Committee shall invite officers of the organisation to attend meetings as required. The Committee shall invite representatives from the organisation's Internal Auditors and External Auditors to attend. Ordinarily the Director of Finance and Investment will attend the meeting. The Committee shall invite such other members of the Board and senior managers to attend as appropriate to the areas of risk or operation being discussed.

35.5 Committee Governance

The Audit Committee shall be governed by the rules laid down in the organisation's Standing Orders for committees of the Board. The organisation of the Committee shall include the preparation of agenda and papers and the taking of formal minutes.

35.6 Frequency of Meeting

The Committee will meet not less than three times per year. At least once per year the Committee will meet with the Auditors alone. The Internal or External Auditors may request that the Committee meets to discuss issues.

35.7 Authority

The Committee will be authorised by the Board to investigate any activity within its Terms of Reference and to seek the information it requires from any employee. All employees are directed to cooperate with any request made by the Committee. The Committee is authorised by the Board to obtain any independent professional advice and expertise, as it considers necessary.

35.8 Duties

The existence of an independent Audit Committee is the central means by which a Board ensures that effective internal control arrangements are in place. It also provides an independent check on the executive arm of the Board. Its duties will be as laid out in the NHS Audit Handbook but specifically:

It shall review the establishment and maintenance of an effective system of internal control across the whole of the organisation's activities and support the organisations objectives

It shall ensure that there is an effective Internal Audit function that meets or exceeds the mandatory NHS Internal Audit function and provides good independent advice to the Audit Committee, the Chief Executive and the Board, including developing and approving the Internal Auditors Annual work plan

It shall review the work and findings of the External Auditors as appointed by the Audit Commission and discuss the annual audit plan to ensure the maximum amount of independent assurance across the organisation and the whole health community

It shall review the work of any other committee of the Board and ensure that these are reviewed in the light of Integrated Governance requirements

The findings of any significant assurance functions, internal, external or at national level shall be reviewed and recommendations made to the Board

The committee shall request and review reports and assurances from directors and managers on the overall arrangements for governance, risk management and internal control

The Audit Committee shall review the Annual Report, Financial Statements and the Statement of Internal Control prior to the presentation to the Board, submission and publication. It shall also ensure that the systems for financial reporting to the Board are subject to review as to the completeness and accuracy of the information provided to the Board

35.9 Reporting

The Audit Committee shall report directly to the Board and the Chair of the committee shall draw the Board's attention to any issue that requires disclosure to the Board or executive action.

COMMITTEES OF THE AUTHORITY TERMS OF REFERENCE

36. REMUNERATION AND TERMS OF SERVICE (RATS) COMMITTEE

36.1 Membership

The Committee's membership shall comprise the Authority's Chairman and at least two non-executive directors. The Chief Executive, other executive directors and members of staff may attend to discuss specific issues but are not formally part of the membership of the Committee and must not be present for discussions about their own remuneration.

36.2 Quorum

The Committee shall be quorate when at least two of the three members are present.

36.3 Terms of Reference

The main functions of the Committee are:-

- (a) To make such recommendations to the Board on the remuneration, allowances and terms of service of the Chief Executive, directors, other staff covered by Very Senior Managers paycales and Postgraduate Deans employed by the Authority to ensure they are fairly rewarded for their individual contribution to the organisation, having proper regard to the organisation's circumstances and performance, and provision of any national arrangements for such staff where appropriate.
- (b) To monitor and evaluate the performance of the Chief Executive, individual directors, other staff covered by Very Senior Managers paycales and Postgraduate Deans and to oversee the rewarding of any performance-related elements of their pay.
- (c) To advise and oversee the proper calculation and scrutiny of termination payments for all staff taking account of such national guidance as is appropriate.

36.4 The Committee should report in writing to the Board the basis for its recommendations. The Board shall use the report for the basis for its decisions, but remains accountable for taking decisions on the remuneration and terms of service of officers. Minutes of the Board meetings should record such decisions.

36.5 The Authority will pay allowances to the Chairman and non-executive members of the Board in accordance with instructions issued by the Secretary of State for Health.

36.7 The Committee shall meet when necessary to fulfil its functions, but it is likely that it will hold a minimum of two meetings per year.

36.8 The Committee shall have the power to alter its own Terms of Reference provided that the Chairman and a quorum of Non-Executive Directors agree. This will be confirmed by the Board.

36.9 **Policies and Best Practice:** In January 1991, the then Minister of Health, wrote to the Chairmen of NHS Trusts about executive pay in response to requests for guidance. The considerations set out then are still valid and the main points are as follows:

- Remuneration packages must be such as to enable people of appropriately high ability to be recruited, retained and motivated – within levels of affordability.
- All NHS bodies are part of the public sector and what they do, including the pay of their employees, must be publicly defensible and subject to audit.
- A properly defensible remuneration package requires a clear statement of responsibilities with rewards linked to their measurable discharge.
- Wherever possible it will be advisable to seek independent advice about pay structures and the state of the market for the kind of managers to be recruited – including consultation with neighbouring NHS bodies.

36.10 The Board as a whole may wish to decide in advance its general policy on directors' remuneration, allowances and terms of service and look to the Committee to ensure that its policy is applied consistently.

36.11 In developing recommendations for remuneration packages, the Remuneration and Terms of Service Committee may wish to ensure that they have:

- A clear statement of the responsibilities of the individual posts and their accountabilities for meeting objectives of the organisation
- A means of assessing the comparative job 'weight' e.g. by job evaluation.
- Comparative salary information from the NHS, other public sector organisations and other industrial and service organisations

36.12 For the purposes of monitoring and evaluating performance, the Committee will need to meet periodically to make assessments of executive directors' achievements. The Committee should report to the Board any recommendations e.g. for improved remuneration (based on performance against criteria set) or for other actions perhaps in the case of unsatisfactory performance.

36.13 In advising on appropriate contractual arrangements, the Committee will wish to note that best employment practices recommend that the remuneration, terms and conditions of engagement of staff are set down in writing in a contract of employment signed by both employer and employee. Although there is no legal requirement to do so, the Committee will want to note that the Employment Protection Consolidation Act 1978, as amended principally by the Trade Union Reform and Employment Rights Act 1993 (Section 26), requires that each employee receives written particulars of certain terms of the employment contract.