

Remuneration of foundation trust chairs and Non-executive Directors

NHS Improvement (NHSI) published three documents on the role and remuneration of chairs and non-executive directors (NEDs) in NHS trusts and foundation trusts (FTs) in September 2019.

The documents cover a new remuneration structure for provider chairs and non-executive directors, a development framework for chairs and an appraisal framework, again for chairs. They will be used by NHS trusts for appraisals, development and for setting remuneration, but are advisory for FTs and are not binding on them.

One of the potential outcomes of the documents may be a narrowing of the disparity between the pay of chairs and NEDs in NHS trusts and their colleagues in FTs, who tend to be much better remunerated, as NHS trusts and FTs are increasingly being treated equally by NHSI, and with the end of the pipeline to FT status. NHS Providers has been at the forefront in arguing for an uplift for NHS trust NED and chair remuneration for some time.

Given that the documents are not binding on FTs there is however scope for them to be adapted to local circumstances.

Role of the chair: a framework for development

The chair development framework stresses the importance of culture for chairs in leading their boards. It emphasises developing and maintaining a healthy organisational culture and environment built on trust, openness, honesty, integrity, and inclusivity, and which promotes collaborative, system-level leadership that is focused on the best interests of all service users and the wellbeing of all staff.

Annual appraisals

The annual appraisal document is largely about process, but emphasises the need for appraisals to be carried out against agreed competencies and to be based on feedback from multiple sources. Councils of governors will be a vital source of feedback to senior independent directors (SIDs) who lead chair appraisals and to chairs in leading the appraisals of NEDs. Nominations committees will have a lead role in co-ordinating the feedback of councils of governors.

Councils of governors are involved in feeding into chair and NED appraisals and also into development. However, as they do not lead in these areas, it is useful for governors to be aware of the frameworks and for nominations committees to have a deeper understanding of the processes within the framework.

Remuneration structure

The aims behind the remuneration structure --- to create a greater degree of transparency, consistency and alignment in pay while taking account of the need to attract suitable candidates and to retain good quality chairs and NEDs --- are laudable. FTs will no doubt share these aspirations and councils of governors will need to take account of the national framework when deciding on remuneration locally.

When nominations are made, particular care will need to be taken to consider the justification for any divergence from the national guidance. However the legal duty to set chair and NED pay rests firmly with councils of governors and, while taking account of national guidance, councils would not be fulfilling this duty if they did not exercise their independent judgement. So in terms of pay councils should take account of the guidance, be rigorous in reaching a decision that they can justify to outside bodies, but also exercise their own best judgment on what is fair and equitable in meeting local needs.

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