



## REMUNERATION COMMITTEE REPORT TO THE BOARD OF TRUSTEES

**The Board of Trustees is asked to:** NOTE the content of the June Remuneration Committee report to the Board and the impact of the Committees decisions

**This report is sponsored by:** Sir Ron Kerr, Chair of the Remuneration Committee

**This report has been prepared by:** Sir Ron Kerr, Chair of the Remuneration Committee and Claire Buchanan, HR Director

**Date of report:** June 2018

**Key issues:** The proper remuneration of all staff, especially the Vice-Chancellor and his immediate team, is an important part of ensuring institutional sustainability and protecting the reputation of the institutions. In line with requirements from the Office for Students and CUC Code of Governance the Remuneration Committee is required to report at least annually to the Board of Trustees.

**Next steps:** The work of the Remuneration Committee and its decisions will be included in the Annual Report and Financial Statement of the University as required by the Office for Students and appropriate information published on the University website.

**Equality, Diversity and Inclusion:** Delivery of the Vision and Strategy 2016/20 and the equality, diversity and inclusion objectives there-in is a key responsibility of the Vice-Chancellor and his senior team.

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## REMUNERATION COMMITTEE REPORT TO THE BOARD OF TRUSTEES

### 1. Background

- 1.1 The Remuneration Committee reports to the University's Board of Trustees after every meeting to summarise the discussions and seek approval of recommendations as required. The new CUC Higher Education Senior Staff Remuneration Code ('the Code'), published in June 2018, sets out a series of principles relating to the way that Remuneration Committees should function. As the new Code was published very close to the date of the meeting of the Remuneration Committee, the Committee has not yet had a chance to consider it in detail. The Committee will consider the new Code in detail, along with the recently released guidance from the Office for Students, in the coming months and expects to recommend that the Board adopt the Code and comply with its requirements.
- 1.2 This report, relating to the meeting of the Remuneration Committee on 13 June 2018, is the first one for the University of Bristol since the new Code was published. The Code states that the annual report to the Board needs to "provide sufficient assurance to the governing body that the Remuneration Committee has effectively discharged its responsibilities". In the view of the authors, this report complies with that requirement.
- 1.3 The Terms of Reference for the Remuneration Committee are attached at Annex A. As noted above, these will be reviewed with reference to the guidance in the Code and in the direction from the Office for Students.
- 1.4 The Committee meets twice a year, in June to consider annual salary movement for those senior staff within its remit and again in November to consider a range of matters related to remuneration. Meeting notes from the last two meetings, which were held on 7 June 2017 and 17 November 2017, can be accessed at <http://www.bristol.ac.uk/hr/remco.html>
- 1.5 In light of the changes taking place in the sector as it relates the remuneration of senior staff, the Remuneration Committee agreed to commission a review by experts on the processes and expertise required to ensure that the University is compliant with regulatory requirements and that we are following best practice in this area. This review will be undertaken shortly, and the outcomes will be considered at the November Remuneration Committee meeting.

### 2. Membership

- 2.1 The membership of Remuneration Committee is as follows:

| Constituency                                | Member            |
|---|-------------------|
| Lay member of the Board of Trustees (Chair) | Sir Ron Kerr      |
| Chair of the Board of Trustees              | Mr Denis Burn     |
| Chair of the HR Committee                   | Ms Nicky McCabe   |
| Co-opted member                             | Mr Roger Holmes   |
| Treasurer                                   | Mr Andrew Poolman |

- 2.2 Sir Ron Kerr was appointed as lay member and Chair of Remuneration Committee from 1 January 2016. His appointment was recommended by the Membership Appointments and Governance Group at its meeting in December 2015 and the Board approved the appointment on 22 January 2016. Remuneration Committee members have the requisite skills in line with the current Higher Education of Senior Staff Remuneration Code.
- 2.3 The Chair of the Board, the University Treasurer, and the Chair of the HR Committee are 'ex officio' members. Roger Holmes was appointed as a co-opted member of Remuneration Committee from 1 January 2016 as a result of his expertise in remuneration acquired, inter alia, as the former Chief Executive of Woolworths and of Marks & Spencer.
- 2.4 The following members of the University were in attendance for part of the meeting. None were present when their own remuneration was being considered.

|  |                      |
|--|----------------------|
| Vice-Chancellor                            | Professor Hugh Brady |
| Deputy Vice-Chancellor                     | Professor Guy Orpen  |
| Registrar/Chief Operating Officer          | Ms Robin Geller      |
| HR Director (Adviser/ Committee Secretary) | Ms Claire Buchanan   |

### **3. Approach to Remuneration**

- 3.1 The Remuneration Committee met on 13 June 2018 to determine salary movement for those staff that fall within its remit and to maintain its overview of salary decisions already made by the Professorial Salary Committee and Senior Professional Services Salary Committee.
- 3.2 The conflict of interest of those executive members present was noted, and individuals were not present when their own remuneration or any aspect relating to their overall terms and conditions of employment were being considered.
- 3.3 In determining any individual salary movement for those staff within its remit Remuneration Committee takes account of the general pay movement on the main grade structure, role-based market rates/benchmark information and individual performance, which is based on a thorough individual review process that is linked to achievement of the University's Strategic aims and objectives. There are no separate bonus arrangements in operation.

### **4. Factors considered when setting / approving remuneration**

- 4.1 The University is aware of its responsibilities to demonstrate appropriate use of resources, whilst ensuring that we can attract and retain the best possible staff to maintain our international reputation, add to society, improve the local economy and ensure our students have the best possible experience and outcome. Our staff are our greatest asset and appropriate remuneration and reward are an important part of our relationship.
- 4.2 In setting/ approving the remuneration of the Senior Team of the University several factors are taken into consideration.
- i) The economic environment and the extent of pay restraint nationally

- ii) The role and ability to recruit into that role in the current local/national/international market
- iii) The skills and experience the individual brings to the role and the wider University
- iv) The performance in the previous 12 months measured through individual and team performance review related to the University's strategic objectives, which broadly fall into 6 main themes:
  - Education and the student experience
  - Research, innovation and partnerships
  - Our staff and ways of working
  - Internationalisation and global relations
  - Physical and digital infrastructure
  - Sustainability
- v) The overall pay envelope
- vi) The requirement to support senior staff on NHS pay terms and conditions
- vii) The requirement to reduce the Gender Pay Gap

## **5. Data used in determining appropriate Remuneration**

- 5.1 The University is competing in increasingly competitive national and international markets. To remain competitive the University takes account of national salary information provided by the Universities and Colleges Employers Association (UCEA) Senior Staff Remuneration Survey, the Committee of University Chair's Vice-Chancellor Salary Survey, the Russell Group Salary Survey as well as taking advice from search firms who support some senior appointments. We periodically seek external expert advice from remuneration specialists.
- 5.2 The Committee noted the employers' final offer of 2% (applicable to all University staff up to and including those on Range 3 of Grade M) which has been made by UCEA in the 2018 national pay negotiations. They noted that the offer was 'bottom loaded' to increase the value on the lowest 15 points of the national pay spine by £425 on each point, of up to 2.8% nationally, and up to 2.7% at Bristol, as the lowest point is not used at Bristol. This pay award has not been accepted by the Trade Unions represented at the University and they are currently balloting their members with a steer from the Unions to reject the offer.
- 5.3 It was noted that in addition to the annual pay award, there will be additional costs added to the pay bill through the application of incremental movement within the main grade structure. This adds an additional annual cost of c1.5% to the University's payroll. Thus, the total cost of pay movement on the main grade structure will be in the order of 3.5%, depending on the outcome of the national pay negotiations).
- 5.4 In addition, where market conditions dictate an individual salary outside of the prescribed range there is provision for the payment of a Recruitment and Retention Supplement, and is separated out from the core salary.
- 5.5 Tax changes relating to lifetime pension allowances are continuing to impact on pension provision at more senior levels, and where an individual's lifetime allowance is breached then a cash alternative to the employer's pension contribution can be offered on a cost neutral basis. Any such payment is separated out from the core salary.

## 6. Impact of decisions

6.1 The impact on the salary bill of the decisions made this year for staff on ranges M1-6 are shown (table 1) alongside the costs for the previous 4 years. In addition, for Professorial staff and Senior Professional Services staff on Ranges 1-3 there will be the increase arising from the application of the national pay award once it has been agreed, effective August 2018. Staff on Ranges 4 and above do not receive the national pay award as a matter of course. The national pay award has fluctuated between 1-2% during the past 5 years as follows:

Aug 2018: 2% (employer's final offer at June 2018)

Aug 2017: 1.7%

Aug 2016: 1.1%

Aug 2015: 1%

Aug 2014: 2%

6.2 Table 1 shows the costs of the remuneration decisions by staff group

| <b>Table 1: Costs of the remuneration decisions by staff group</b> |                |                              |                              |                              |                              |
|--|----------------|------------------------------|------------------------------|------------------------------|------------------------------|
| <i>This is draft and needs to be checked</i>                       |                |                              |                              |                              |                              |
|  | <b>2017-18</b> | <b>2016-17</b>               | <b>2015-16</b>               | <b>2014-15</b>               | <b>2013-14</b>               |
| Professorial salary bill (M1-3)                                    | 1.01%          | 0.92%                        | 0.86%                        | 0.67%                        | 0.96%                        |
| Senior Professional Services salary bill (M1-3)                    | 0.65%          | 0.63%                        | 0.25%                        | 0.92%                        | 1.09%                        |
| Senior Divisional Heads, Deans and Pro Vice-Chancellors (M4)       | 2.93%          | Data not provided previously |
| Senior Leadership Team (M5 and M6)                                 | 0.68%*         | 1.49%                        | Data not provided previously | Data not provided previously | Data not provided previously |
| Senior Leadership Team salary bill (M4,5,6,)                       | 2.29%*         | 1.67%                        | 0.94%                        | 2.46%                        | 2.99%                        |

\*Will increase as result of review of DVC/Provost and CFO salaries

**7. Salary recommendations for the Senior Leadership Team (Vice-Chancellor, Deputy Vice-Chancellor, Registrar/COO and CFO)**

- 7.1 The salary of the Vice-Chancellor has been recommended to increase by the national pay award; if 2% this will increase his salary from £282,472 to £288,121.
- 7.2 The role of the Deputy Vice-Chancellor/ Provost is currently being rescoped and therefore no decision was made.
- 7.3 The salary of the Registrar/COO has not been increased as the Registrar is leaving in October 2018.
- 7.4 The role of the Chief Financial Officer is being rescoped and therefore no decision was made.

**8. Median to VC Pay Ratio**

- 8.1 There is ongoing attention given to an expression of head of institution pay as a ratio compared to median staff pay. With effect from 1 August 2018 the ratio will be:

Ratio of median to VC pay: 1:8

- 8.2 The ratio has been calculated assuming the employer's final offer for the pay award of 2% is implemented unchanged, and that the recommended 2% increase is made to the Vice-Chancellor's salary.
- 8.3 Table 2 shows the median to VC pay ratio over a three-year period which has remained constant at 1:8.

| <b>Table 2: Median to VC Pay Ratio 2015 - 2018</b> |                     |                     |                     |  |
|--|---------------------|---------------------|---------------------|--|
|  | <b>As at 1/8/15</b> | <b>As at 1/8/16</b> | <b>As at 1/8/17</b> | <b>As at 1/8/18<br/>(including<br/>proposed pay<br/>award on the<br/>median)</b> |
| Expressed to two decimal places                    | 1:8.27              | 1:8.18              | 1:8.18              | <b>1:8.18</b>  |
| Rounded to the nearest whole number                | 1:8                 | 1:8                 | 1:8                 | <b>1:8</b>   |

- 8.4 An updated statement about the pay of the Vice-Chancellor will be included on the University website, as follows:  
<http://www.bristol.ac.uk/university/governance/constitutionaldocs/senior-staff/vc.html>

## Annex A

### REMUNERATION COMMITTEE TERMS OF REFERENCE

1. To determine the remuneration of the Vice-Chancellor and other members of the senior management of the University.
2. If necessary, to determine severance arrangements for members of the senior management team of the University (the Vice-Chancellor, Deputy Vice-Chancellor, Pro Vice-Chancellors, Chief Financial Officer and Registrar/Chief Operating Officer) and any other member of staff earning above £100k.
3. To monitor the implementation of the Grade M pay arrangements as set out in the document: Senior Staff Pay Determination Policy and Process.
4. To review and guide policy on issues of equality and diversity in relation to remuneration of all staff on Grade M.
5. To monitor and guide policy on activity in relation to succession planning and talent management in relation to the wider management team from the Vice-Chancellor down to the level of Dean/Divisional Head.
6. In conducting its business, the Committee will pay due regard to the need to act in the public interest including reference to the 'Nolan Principles'<sup>1</sup>.

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#### The 7 Nolan Principles of Public Life

##### 1. Selflessness

Holders of public office should act solely in terms of the public interest.

##### 2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

##### 3. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

##### 4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

##### 5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

##### 6. Honesty

Holders of public office should be truthful.

##### 7. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.