



REMUNERATION COMMITTEE REPORT TO THE BOARD OF TRUSTEES

Confidential

The Board of Trustees is asked to: NOTE the content of the report and the impact of the salary decisions for the Remuneration Committee Remit Group.

This report is sponsored by: Nicky McCabe, Chair of the Remuneration Committee

This report has been prepared by: Nicky McCabe, Chair of the Remuneration Committee and Claire Buchanan, Chief People Officer

Date of report: 20 June 2019

Key issues:

The appropriate remuneration of all staff, especially the Vice-Chancellor and his immediate team, is an important part of ensuring institutional sustainability and enabling the University to recruit and retain high calibre individuals. 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 2016/23 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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1. Background

- 1.1 The Remuneration Committee is responsible for overseeing the remuneration of the Vice-Chancellor and other members of the University's Executive Team, balancing the needs of the University in a competitive environment with the appropriate use of funds. The Remuneration Committee also reviews equality and diversity issues in relation to remuneration of senior staff.
- 1.2 In June 2018 the Committee of University Chairs (CUC) issued its Higher Education Senior Staff Remuneration Code setting out a series of principles relating to the way that Remuneration Committees should function. This was followed by guidance from the Office for Students (OFS), which set out requirements for explanation and disclosure in the financial statements for 2017/18. The OFS has also said that compliance with the CUC Code will be one of its tests of good governance.
- 1.3 The University commissioned a review by reward experts Korn Ferry on the processes and expertise required to ensure that the University is compliant with regulatory requirements and are following best practice in this area.
- 1.4 Korn Ferry confirmed that Remuneration Committee's terms of reference, reporting and cycle of business was at the better end of the Higher Education sector, and made some recommendations that were reviewed and implemented by the Remuneration Committee. Namely, its terms of reference were updated, and new policies written for the Remuneration Committee Remit Group on Remuneration and on External Work.
- 1.5 The Terms of Reference for the Remuneration Committee are attached at **Annex A**. This committee meets twice a year, once to consider annual salary movement for those senior staff within its remit (and maintain an overview of salary decisions already made by the Professorial Salary Committee and Senior Professional Services Salary Committee), and once to consider a range of matters related to remuneration. The last two ratified meeting notes can be accessed at <http://www.bristol.ac.uk/university/governance/universitycommittees/boardoftrustees/committees-of-the-board-of-trustees/remuneration-committee/>.
- 1.6 This report relates to the meeting of the Remuneration Committee held on 13 June 2019, where the committee determined any salary movement for senior staff in remit, to be implemented from 1 August 2019.
- 1.7 The Higher Education Senior Staff Remuneration 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.

2. Membership

- 2.1 The Remuneration Committee comprises external members from a range of backgrounds who are able to provide an independent view on remuneration matters. Remuneration Committee members have the requisite skills in line with the current Higher Education Senior Staff Remuneration Code.
- 2.2 The membership of Remuneration Committee for the academic year 2019/20 is as follows:

Composition	Member	Term of Office
Lay Members x5	Mr Jack Boyer	01.09.19 – 31.12.21
	Ms Jessica Cecil	01.09.19 – 31.12.21
	Ms Nicky McCabe (Chair)	01.09.19 – 31.12.20
	Mr Andy Poolman (Treasurer)	01.09.19 – 31.12.21
	Dr Andreas Raffel	01.09.19 – 31.12.20
Co-opted Member	Dr Roger Holmes	01.09.19 – 31.07.19

- 2.3 This was the last Remuneration Committee meeting for the co-opted member.
- 2.4 No member of University staff is a member of Remuneration Committee.
- 2.5 Nicky McCabe was appointed as Chair of Remuneration Committee from 1 April 2019, having previously served as lay member of the Board on Remuneration Committee. Her appointment was considered and agreed by the Board of Trustees on the 15 March 2019.
- 2.6 The Chair of the Board and the University Treasurer are 'ex officio' members.

3. Approach to Remuneration

- 3.1 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.
- 3.2 There was no conflict of interest for Remuneration Committee members.
- 3.3 The Vice-Chancellor attended part of the meeting to present the salary recommendations for his direct reports and for the Chief Operating Officer's direct reports. The Deputy Vice-Chancellor and Provost, and the Registrar and University Secretary attended part of the meeting to present the salary recommendations for their direct reports, with the Vice-Chancellor also being present for these items. The Chief People Officer attended the meeting to provide guidance to the committee, save when her own remuneration was discussed.
- 3.4 No individual was present when their own remuneration or any aspect relating to their overall terms and conditions of employment were being considered.
- 3.5 The Vice-Chancellor has sight of all salary recommendations considered by Remuneration Committee save his own.

- 3.6 The Remuneration Committee receives reassurance from the University that any salary proposals put forward to Remuneration Committee can be accommodated in the University budget.
- 3.7 The total remuneration for the remit group and other senior staff will be based on market data, generally on the market median, apart from for exceptional performance.
- 3.8 In setting/ approving the remuneration of the Senior Team of the University multiple factors are taken into consideration.
- 3.8.1 The economic environment and the extent of pay restraint nationally.
- 3.8.2 The role and ability to recruit into that role in the current local/ national/international market.
- 3.8.3 The skills and experience the individual brings to the role and the wider University, including leadership skills.
- 3.8.4 Role-based market rates/benchmark information.
- 3.8.5 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
- In particular, exceptional performance should be rewarded.
- 3.8.6 The overall pay envelope.
- 3.8.7 The requirement to reduce the Gender Pay Gap.
- 3.9 It was agreed at the meeting that the entry salary point for Deans needed to be increased and this has been implemented for 1 August 2019.

4. Data used in determining appropriate Remuneration

- 4.1 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 Senior Salary Survey (Korn Ferry) as well as taking advice from search firms who support some senior appointments. We periodically seek external expert advice from remuneration specialists.
- 4.2 The Committee noted the employers' final National Pay Award offer of 1.8% (applicable to all University staff up to and including those on Range 3 of Grade M) in the 2019 national pay negotiations. They noted that the offer was 'bottom loaded' to increase the value on the lowest 13 points of the national pay spine used at Bristol (a lower point at Bristol has been phased out on 1st May 2019 as a result of the University implementing the voluntary Living Wage) ranging from 3.65% on the lower points to 1.82% on the higher points, and with 1.8% being applied on points 17 and above. The resulting estimated average pay-bill increase for institutions for staff across all spine points is 1.85%. This pay award has not been accepted by the national Trade Unions at this time.

- 4.3 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 3.35%.
- 4.4 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. Costs of the remuneration decisions

5.1 Table 1 shows the salary costs for members of the Remuneration Committee Remit Group (the Vice-Chancellor, Deputy Vice-Chancellor and Provost, Deputy Vice-Chancellor, Pro Vice-Chancellors, Chief Operating Officer and the Registrar and University Secretary), the Deans and the Senior Professional Services Directors on M4.

5.2 **Table 1** Salary Costs for Senior Staff:

Current pay bill (as at June 2019)	Future pay bill (as at 1 August 2019)	Percentage increase
£3,384,100	£3,514,698	3.9%

6. Gender Pay Gap

- 6.1 Remuneration Committee receives, considers and discusses the University's annual Gender Pay Gap Report, which covers all staff groups, and provides assurance to the Board of Trustees.
- 6.2 Remuneration Committee has oversight of the Equality, Diversity and Inclusion Task and Finish Group and monitors diversity data related to remuneration overall at the University.
- 6.3 The Committee considers EDI implications carefully in any decisions it makes.

7. Salary recommendation for the Vice-Chancellor

- 7.1 It was agreed by Remuneration Committee that it was appropriate to approve an increase in salary for the Vice-Chancellor that was above the National Pay Award to bring him closer to the Russell Group median. The Vice-Chancellor's current base salary is below the Vice-Chancellor median for Russell Group universities and he has received the National pay award only for the last three years.
- 7.2 The Remuneration Committee noted in particular:
- Very strong performance in the areas of research grants, increasing student numbers in an environment of falling numbers, financial stability and upgrades to the physical infrastructure;
 - Median performance in terms of UK Russell Group rankings, gender based professorial progress and the introduction of the wellbeing strategies;
 - Below median performance in terms of student assessment/ feedback and BAME staff diversity.

7.3 There was recognition of student wellbeing issues and the work undertaken in the last 12 months to start addressing this.

7.4 The salary of the Vice-Chancellor has been recommended to increase by £11,879 (4.1%) to £300,000.

8. Median to Vice-Chancellor Pay Ratio

8.1 The Vice-Chancellor pay ratio uses basic pay and market supplements and excludes casual staff to enable comparisons with previous years. The National Pay Award (1.8%) and the increase to the Vice-Chancellor's salary (4.1%) has been applied to 2018-19 data to determine the pay ratio as at 1 August 2019. The pay ratio will move from 1:8 to 1:9.

8.2 **Table 3** Median to Vice-Chancellor Pay Ratio 2015 – 2019:

	As at 1/8/15	As at 1/8/16	As at 1/8/17	As at 1/8/18	As at 01/08/19
Expressed to two decimal places	8.27	8.18	8.18	8.18	8.88
Rounded to the nearest whole number	8	8	8	8	9

8.3 Looking forward, the University will adopt the new OFS pay ratio method, which considers a much wider staff base - of an additional c.1500 staff - due to the inclusion of casuals. This calculation will move the Vice-Chancellor pay ratio to 1:10. We expect other universities' pay ratios to also increase.

9. Payments in Lieu of Pensions

9.1 Tax changes relating to lifetime pension allowances are continuing to impact on pension provision at more senior levels. It has been the policy of the University since 1 December 2015 that where an individual's lifetime allowance is breached, a cash alternative to the employer's pension contribution is offered on a cost neutral basis in accordance with the Payment in Lieu of Pensions Policy. Any such payment is separated out from the core salary. There are currently 12 individuals receiving a Payment in Lieu of Pensions.

9.2 Remuneration Committee discussed the University's Payment in Lieu of Pensions offer, and it was agreed that the principle, the calculation and the affordability of this scheme be reviewed during the next academic year. It was agreed that this scheme would be closed to new members with immediate effect.

10. Remuneration Committee Reporting

10.1 There are three reporting requirements for Remuneration Committees: a) to report to

the University Governing Body; b) to publish a report on remuneration; and c) to publish remuneration data and a justification of the pay of the Vice Chancellor in the financial statements.

- 10.2 Remuneration Committee recognises that its reporting is an opportunity to communicate more widely the University's philosophy around transparency of senior pay and benefits. An updated statement about the pay of the Vice-Chancellor will be uploaded to the following University webpage on 1 August 2019: <http://www.bristol.ac.uk/university/governance/constitutionaldocs/senior-staff/vc.html>

11. Improvements to Remuneration Committee paperwork

- 11.1 New salary proposal paperwork was trialled for this meeting, and further improvements will be put in place for next year in relation to identifying achievements and development needs, with all salary recommendations and one-off pay proposals having consistency of description and criteria.
- 11.2 It was agreed to align the salary considerations for the Remuneration Committee Remit Group with the Senior Management Team Annual Performance Review process, which concludes in September each year. To accommodate this, the June Remuneration Committee meetings will take place in September moving forwards, with any agreed changes to salary backdated to 1 August.



REMUNERATION COMMITTEE TERMS OF REFERENCE

1.	Authority																		
1.1	The Remuneration Committee is established under University Statute and is a committee of the Board of Trustees. Subject to the provisions made in the Charter, Statutes, Ordinances, and Regulations, the Remuneration Committee shall operate within the duties and authorities as stipulated by the Board of Trustees in these Terms of Reference.																		
1.2	The Remuneration Committee is authorised by the Board of Trustees to investigate any activity within its remit as set out in these terms of reference. In order to do so, the Committee is authorised to request relevant information and question any employee of the University as and when required.																		
2.	Purpose of the Committee																		
2.1	The purpose of the Remuneration Committee is to provide the Board of Trustees with in-year assurance concerning the development of policy on executive remuneration and for fixing the remuneration packages of individual members of the remit group.																		
3.	Membership																		
3.1	The Remuneration Committee will normally comprise up to six members drawn from the Board of Trustees, plus co-optees. Specifically, the membership will be: Five lay members of the Board of Trustees (including the Chair of the Board of Trustees), including the Treasurer.																		
3.2	The membership for the academic year 2019/20 is:																		
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Composition</th> <th style="text-align: left;">Member</th> <th style="text-align: left;">Term of Office</th> </tr> </thead> <tbody> <tr> <td rowspan="5" style="vertical-align: top;">Lay Members x5</td> <td>Mr Jack Boyer</td> <td>01.09.19 – 31.12.21</td> </tr> <tr> <td>Ms Jessica Cecil</td> <td>01.09.19 – 31.12.21</td> </tr> <tr> <td>Ms Nicky McCabe (Chair)</td> <td>01.09.19 – 31.12.20</td> </tr> <tr> <td>Mr Andy Poolman (Treasurer)</td> <td>01.09.19 – 31.12.21</td> </tr> <tr> <td>Dr Andreas Raffel</td> <td>01.09.19 – 31.12.20</td> </tr> <tr> <td>Co-opted Member</td> <td>Dr Roger Holmes</td> <td>01.09.19 – 31.07.19</td> </tr> </tbody> </table>	Composition	Member	Term of Office	Lay Members x5	Mr Jack Boyer	01.09.19 – 31.12.21	Ms Jessica Cecil	01.09.19 – 31.12.21	Ms Nicky McCabe (Chair)	01.09.19 – 31.12.20	Mr Andy Poolman (Treasurer)	01.09.19 – 31.12.21	Dr Andreas Raffel	01.09.19 – 31.12.20	Co-opted Member	Dr Roger Holmes	01.09.19 – 31.07.19	
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	Dr Roger Holmes steps down after the June 2019 meeting and there will not be a co-opted member to replace him.																		
3.3	In attendance: The Vice-Chancellor and other executives will be invited to attend except for when their own remuneration is being considered.																		

4.	Frequency of meetings
4.1	The Remuneration Committee will normally meet two times per academic year, with additional meetings convened if required.
5.	Specific Duties
5.1	The Committee's remit is to:
5.1.1	Determine the remuneration for members of the remit group (the senior management team of the University: Vice-Chancellor, Deputy Vice-Chancellor and Provost, Deputy Vice-Chancellor, Pro Vice-Chancellors, Chief Operating Officer, and Registrar and University Secretary) and Deans and Senior Professional Services Directors on M4, in line with the University's Remuneration Policy for the Remuneration Committee Remit Group.
5.1.2	Ratify for Academic and Professional Services staff any remuneration offers of £150,000 or over before any formal offer is made.
5.1.3	If necessary, determine severance arrangements for members of the remit group over £100k.
5.1.4	Set policy, establish arrangements and monitor implementation and trends in relation to all staff on Grade M.
5.1.5	Review issues of equality and diversity in relation to remuneration of the remit group and all other staff on GradeM.
5.1.6	Receive, consider and discuss the results of the University's Equal Pay and Gender Pay Gap Audit; receive both reports and a summary presentation, which covers all staff groups, and provide assurances to the Board of Trustees.
5.1.7	Have oversight of the Equality, Diversity and Inclusion Oversight Group and monitor diversity data related to remuneration overall at the University and make appropriate recommendations on remuneration policy.
6.	Accountability and reporting
6.1	There are three reporting requirements for Remuneration Committees: <ul style="list-style-type: none"> • to report to the University Governing Body; • to publish a report on remuneration; • to publish remuneration data and a justification of the pay of the Vice Chancellor in the financial statements.
6.2	The Chair of the Committee shall report formally to the Board of Trustees on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board of Trustees on how it has discharged its responsibilities. The Committee shall make whatever recommendations to the Board of Trustees it deems appropriate on any area within its remit where action or improvement is needed. The Committee's reporting will include due consideration of any implications linked to equality, diversity and inclusion when conducting its business, making decisions and agreeing actions.
6.3	Where authority has been delegated to the Committee by its parent body to perform a particular action or take a particular decision, that action or decision will be reported to the parent body as soon as practical after the action/decision has been taken.
7.	Effectiveness Monitoring and Compliance with Terms of Reference
7.1	To review committee effectiveness and efficiency annually including the relevance of: <ul style="list-style-type: none"> • its remit, authorities and powers as stipulated in its Terms of Reference, and of • its membership.

7.2	To consider and keep updated on senior staff remuneration guidance issued by relevant bodies such as the Office for Students (OfS) and the Committee of University Chairs (CUC).	
8.	Governance Office Support	
8.1	A member of the University HR team will be Secretary to the Committee.	
	Approval date: Review date: Contact:	Remuneration Committee 13.06.19 Board of Trustees 05 July 19 Board of Trustees 26 June 20 governance@bristol.ac.uk