

## REMUNERATION COMMITTEE

**Unconfirmed Confidential and Reserved Business Minutes of the Meeting held on Wednesday 20 May at 1430-1630 hrs by video-conference.**

<b>Members Present:</b>	Philip Carpenter (Chair), Denise Jagger, Dr Philip Rycroft, Chris Thompson, Claire Wesley.	
<b>In attendance:</b>	Dr Joss Ivory, Professor Charlie Jeffery.	
<b>Secretary:</b>	Dr Adam Dawkins.	
<b>Apologies:</b>	Jo Horsburgh.	
<b>Section 1: Standing Items</b>		
	<b><u>Welcome and Apologies for Absence (Verbal Update)</u></b>	
19/20-53	The Chair welcomed Dr Philip Rycroft to this first meeting as a member of the Committee, and noted apologies from Jo Horsburgh.	
	<b><u>Minutes of the last meeting held on 15 October 2020 (RC.19-20/18) and the Written Resolutions of 30 April and 14 May 2020 as an accurate record (RC.19-20/19 and 20)</u></b>	
19/20-54	The Committee <b>considered</b> the Minutes of its meeting on 15 October 2020, and the written resolutions of 30 April and 14 May 2020 as an accurate record.	
	<b><u>Action Tracking and Matters Arising from the Minutes not covered elsewhere on the Agenda (RC.19-20/21)</u></b>	
19/20-55	The Committee noted the action tracking document and completed status of actions arising from the Minutes, and Matters Arising in relation to lay member expenses, which the HR Director would clarify and feedback to the Committee.	<b>Jl</b>
<b>Section 2: Strategic Development, Planning and Performance Monitoring items for consideration</b>		
	<b><u>Director of HR Report (RC.19-20/22)</u></b>	
19/20-56	The Committee <b>considered</b> the HR Director's Report for May 2020, providing an update on the financial and recruitment implications of Covid-19, decisions taken and to be made in relation to University senior staff remuneration schemes and a recommendation on the 2020 pay review for University senior post-holders.	
19/20-57	The HR Director <b>reported</b> that: <ul style="list-style-type: none"> <li>i. the University had begun to use the Covid-19 Job Retention Scheme for a number of staff in York Commercial Limited (YCL), and UEB had recently considered use of the scheme for a limited number of other staff who were employed by the University and who could not undertake their role during the period;</li> <li>ii. the national pay framework negotiations between UCEA and the employees as applied to staff at Grades 1-8 had been placed on hold, with no timescale for resolution. Grades 1-8 are also contractually entitled to increments, and any cessation of increments for staff on these grades would require withdrawal from the National Pay Framework;</li> <li>iii. UEB had agreed in principle to accredit with Living Wage Foundation, the full implications and</li> </ul>	

	<p>cost of which would need to be understood in the context of covid-19;</p> <p>iv. given the financial challenges of Covid-19, a number of decisions had been made in relation to senior staff remuneration, including in relation to academic promotion, professorial, head of department and senior manager pay review, and professorial pay review for retention purposes;</p> <p>v. the majority of schemes were placed on hold, with targeted scheme remaining open for exceptional consideration such as academic pay and promotion for retention purposes;</p> <p>vi. a decision on application of the National Pay Award and incremental pay for Professors was deferred.</p>	
19-20/58	<p>The Committee noted that:</p> <p>i. the USS position had become increasingly uncertain as a result of the March 2020 valuation and the impact of Covid-19 on this. These uncertainties aside, the planned employer and employee increases were forecast, rising to an employer contribution of 23.7% by October 2021 and a member rate by 11%. These factors would provide additional, if known, financial burden for the employer, and for employees who, combined with a pay freeze, would be in effect receiving a pay reduction over the period;</p> <p>ii. the University of York Pension Fund (UYPF) had also experienced significant volatility, with further uncertainty arising from the next valuation, and funding level deterioration likely, due to Covid-19;</p> <p>iii. the rebalancing of branches by UCU for future strike action, or action short of a strike, had been postponed due to Covid-19. Constructive and open relationships with the trade unions characterised the approach for York and the local branches, with the Vice-Chancellor and President and HR Director holding weekly meetings with representatives which had been productive in the current climate;</p> <p>iv. it was interested in staff motivations and outcomes when applying for the promotion or pay review for retention purposes. As the scheme was well managed and understood, the majority of those apply for promotion had strong grounds for promotion, and alternative job prospects or offers were seldom used as a bargaining tool.</p>	
19/20-59	<p><b>Resolved:</b>  <b>To approve that there would be no 2020 pay award for senior postholders.</b></p>	
	<p><b><u>Consideration of Senior Salary Reductions (RC.19-20/23)</u></b></p>	
19-20/60	<p>The Committee considered a report proposing senior salary reductions.</p>	
	<p><i>Two attendees at the Committee meeting expressed an interest in this item: the Vice-Chancellor and President and Director of Human Resources, both of whom would be personally impacted by the proposal and would take a decision in relation to their own circumstances and situation on the back of the proposals. However, the Vice-Chancellor and President, would present the context of the proposals to the Committee, on the basis that he had chaired the prior discussion on this matter with the University Executive Board, and was well-positioned to do so, noting the clear interest in the proposals.</i></p>	
19/20-61	<p>The Vice-Chancellor and President <b>reported</b> that:</p> <p>i. financial modelling had forecast a likely shortfall in 2020/21, once a range of mitigation strategies to offset the loss of income had been put in place. Whilst the full extent of financial loss was uncertain, it was clear that the University would face significant financial challenge in the context and consequences of covid-19;</p> <p>ii. staff pay expenditure represented the most significant expenditure line in the University, and measures being taken to reduce pay expenditure, included recruitment freezes, and the pay freezes discussed in the previous item;</p>	

- iii. on 12 May 2020, UEB discussed a number of general principles about promotion processes for senior staff, and of senior pay, namely at this stage in relation to UEB remuneration. As part of its decision-making, UEB agreed to a temporary, voluntary reduction in UEB members' salaries, and subscribed to a number of principles within which this could operate;
- iv. the purpose for the scheme was discussed in detail by UEB. This included as an acknowledgement by UEB that its members were prepared to play their role in the financial challenges ahead to reduce employment costs. It was agreed however that this should be seen and treated as a voluntary salary reduction and not a donation, despite the fact that the allocation of the reduced sums was favoured in being towards a student hardship fund, for example, rather than to offset bottom line costs against what might be compulsory redundancies in the University;
- v. the UEB decision included seven principles and wider considerations for clarification: 1) the roles in scope; 2) that the scheme was voluntary; 3) that this would be a temporary arrangement for an initial period of six months (subject to further review at month 6 of the initial period); 4) the size of the pay reduction on a range of between 5% and 20% of salary; 5) treatment of salary-related benefits; 6) relativities with other staff, 7) confidentiality about individuals' decisions in relation to participation and the percentage range of reduction subscribed to;
- vi. Remuneration Committee would be asked, as set out in the paper, to note the recommendation from UEB and approve the scheme being introduced as part of its terms of reference to set the strategy for the remuneration of senior staff, and to review and determine the salaries and terms of employment of the Vice-Chancellor and his direct reports. The paper also encompass the two members of UEB who are not direct reports to the Vice-Chancellor and President;
- vii. subject to approval of the scheme, it would be communicated as part of a wider package of measures, noting that a range of wider voluntary measures to seek to reduce pay would be presented to the wider staffing community, and that voluntary severance and compulsory redundancies would form part of that. The salary reduction scheme would likely be opened up to Grade 9 staff in professional services and professorial roles on the same basis as to UEB members. A number of individuals had informally approached the Vice-Chancellor and President indicating interest in ways in which they could personally support student hardship in particular during this period, so there were potential expressions of commitment beyond that the UEB.

19/20-62

The Committee **observed** that:

- i. it commended these proposals being brought forward on behalf of UEB independently of any invitation or steer to do so by Council or the Committee;
- ii. on the advice of the Chair of the Committee, the Committee addressed the proposals put forward on the basis of 'principles' and 'practicalities';
- iii. In terms of the 'principles': the Committee agreed that:
  - 1) the roles in scope for the salary reduction were appropriate, to include the 12 direct reports of the Vice-Chancellor and the other two UEB members reporting into the Registrar and Secretary. It was important to note that there was a broad range of remuneration across the group and whilst the pay reduction ranges represented a percentage of salary, some staff were also only newly appointed or due to commence employment into a UEB position in the future. This was not an argument for the non-inclusion of those members in the scheme, but it related to the relativities principle;
  - 2) the voluntary nature of the scheme was fully endorsed;
  - 3) the temporary initial six-month term was supported. It was important to stress that the salary reduction scheme was interim because of the exceptional circumstances, and that it did not indicate or more permanent pay reduction (given some of the adverse narrative around

	<p>senior management pay in HE) or set a precedent for pay reductions during other periods when significant financial pressures would be faced by the University;</p> <p>4) the pay reduction range of between 5% and 20% was appropriate. The Vice-Chancellor had declared to UEB and the Committee that he would take a 20% reduction over the period;</p> <p>5) it had been confirmed that a reduction in the substantive salary would also lead to drop in all salary-related benefits, including USS employer and employee contributions. There was no discretion which could be exercised for an upward adjustment of the employer contribution to offset the reduction. However, Additional Voluntary Contributions (AVCs) were an option for the employee. The death in service benefit pay out of three times the annual salary of the deceased individual would also reduce in the unlikely event that a member of UEB passed away during the salary reduction period. This was highly undesirable at what would be an already difficult time for family members. It was queried whether any death in service insurance premium paid by the University or employee would reduce, and whether term assurance would be a low cost way of the University addressing the death in service issues. However, it was noted that the bereavement benefits were built into the USS retirements benefits package, and it was unclear how these could be extricated by the University for exceptional consideration, but University discretion may be able to apply for it to cover additional benefits lost outwith the USS. The HR Director would investigate this matter further;</p> <p>6) the importance of maintaining a pay differential between UEB members and their direct reports was noted. An additional mitigating factor was the proposal to invite other staff who earned £100k to consider participating in the scheme, plus Grade 9 professional support and professorial staff;</p> <p>7) maintaining confidentiality of members' personal decisions was key, noting that there was a requirement for the Vice-Chancellor's remuneration to be disclosed in the annual accounts. The Vice-Chancellor's pay reduction would therefore be noted in the 2020/21 annual accounts given the scheme introduction date of 01 August 2020;</p> <p>iv. the importance of communications in relation to the decision was key, and the recommendation that it would form part of communicating a package of measures was supported. The internal messaging about the decision within the University community was recognised as more significant than external relations and media messaging around the decision. As previously noted, formal identifiable disclosures on any decisions to reduce salaries would be in the annual accounts for 2020/21, and with the exception of the Vice-Chancellor, would be represented only in movements in the numbers staff with a salary over £100k in £5k bands. There were no other current reporting requirements, noting that the CUC sought information annually for the VC salary survey. OfS requirements, additional to the Accounts Directions elements on senior pay disclosures, could not be excluded.</p>	JI
	<b>Resolved:</b>	
19-20/63	<b>To approve the implementation of the voluntary salary reduction scheme for UEB members from 01 August 2020, in line with the Committee's terms of reference.</b>	
	<b><u>Decision Log Remuneration over £100k October 2019 to date (RC.19-20/24)</u></b>	
19-20/64	The Committee noted the decisions log for the appointment and retention of staff with remuneration over £100k from October 2019 to the present.	
19-20/65	The Chair sought clarification on the grade band of the two new UEB members recently appointed. The Director of HR provided clarification.	
	<b><u>Severance and Redundancy Payments 01 August 2019 to 30 April 2020 (RC.19-20/25)</u></b>	
19-20/66	The Committee considered a report on severance and redundancy payments from 01 August 2019 to 30 April 2020.	

19/20-67	The Committee <b>noted/approved:(TBC):</b> i. severance agreements for individuals with remuneration over £100k previously approved by the Committee; ii. the number of severance payments for staff with salaries below £100k.	
<b>Section 3: Policy and Regulatory Matters</b>		
	<b><u>Update on the OfS Accounts Direction in relation to senior staff remuneration (Verbal Update)</u></b>	
19/20-68	The sole change to the OfS Accounts Direction in relation to senior staff remuneration was the inclusion of disclosure of market supplements. However, it was noted that these seldom applied to the most senior staff within the Committee's remit.	
	<b><u>Update regarding proposed amendments to the Senior Staff Remuneration Governance Framework in respect of severance arrangements (Verbal Update)</u></b>	
19-20/69	The delegation framework required minor amendment as it did not include the Vice-Chancellor and Chief Executive in the decision-making process in making recommendations for severance arrangements for senior staff.	
<b>Section 4: Sub-committee summaries and Meeting-related information</b>		
19-20/70	The Committee had no sub-committees, but it was noted that this was a standard template for all Council committees, a number of which did.	

Dr Adam Dawkins  
Secretary, Remuneration Committee  
June 2020