

# MINUTES

<b>Remuneration Committee</b>	
<b>Date</b>	Thursday, 17 October 2019
<b>Time</b>	9.30am – 11.45am
<b>Venue</b>	S303, Boardroom, South Tower, Kedleston Road DE22 1GB

**Members**

Neil Calvert, Vice-Chair of Governing Council (Chair)  
 Olivia Dean, Chair of Further Education Governance Committee  
 James Eaglesfield, Staff Governor  
 Daniella Quill, President Union of Students  
 Stephen Smith, Chair of Governing Council  
 Stephen Taylor, Chair of Strategy, Finance and Planning Committee  
 Dr Ian Webster, Chair of Audit and Risk Committee

**In Attendance**

June Hughes, University Secretary & Registrar  
 Professor Kathryn Mitchell, Vice-Chancellor (VC)  
 Sarah Setchell, Director Human Resources (HR)

**1. Introductions, apologies for absence & late arrivals**

The Chair welcomed Daniella Quill to her first meeting of the Committee. Daniella became President of the Union of Students in July 2019.

**2. Declarations of interest**

There were no declarations of interest.

**3. Minutes of the previous meeting held on Friday, 5 July 2019**

**3.1 Accuracy and approval of redactions**

**Rem/19/4/3.1**

The full minutes of the meeting on 5 July were approved without amendment and signed by the Chair.

A redacted version of the 5 July 2019 minutes were also agreed for submission to Governing Council for approval at its meeting on 8 November 2019.

**3.2 Matters Arising**

**Rem/19/4/3.2**

There were no matters arising.

**3.3 Any remaining business from the previous meeting**

**Rem/19/4/3.3**

There were no items of business outstanding from the previous meeting.

**4. Key Performance Indicator Results for 2018/19 Rem/19/4/4**

The Vice Chancellor reported on the outturn KPIs for 18/19 which were disappointing, particularly the tariff position which had been tightly controlled the previous year and should have been embedded in practise, but this had proven not to be the case. Professor Mitchell was confident that the newly formed VCE would help to address this and the overall KPI performance.

Both Dr Webster and Mr Smith noted that a symptom of large organisations is the behaviour and culture requirement to ensure rules and processes are followed to protect KPIs. Professor Mitchell noted that rules had been far too rigid and burdensome in certain areas in the past, creating delays and increasing the temptation to circumnavigate.

The cultural transformation was about making decisions in the right way and VCE would continue to work on the behaviour and culture change required to ensure success.

**5. Annual Pay Review 2019/20 Rem/19/4/5**

Mrs Setchell, HR Director, introduced this item, the purpose was to share with the Committee reward arrangements and outcomes as a context for a discussion about reviewing our approach going forward. Each staff group had different pay award arrangements which was labour intensive for the HR team to maintain and increased the risk of error in application. Currently our pay review was complicated, time consuming, not clearly understood or utilised by managers and different approaches for different staff groups doing work of equal value means there is a risk to equal pay compliance.

Mrs Setchell noted that the current DPR scheme was failing to have the right impact, with cultural issues having developed over a period with some staff groups always receiving an “outstanding” rating as it had little impact on pay award. Some staff had benefitted from an inflation increase and increment lift and a bonus.

Mrs Setchell noted practice in the sector from which to draw upon. Bonus payments were less prevalent elsewhere and increments were tied to performance rather than an automatic progression which is the case here.

The Chair noted that this was the first time the Committee had seen the detail of the Pay Review Process and arrangements for all staff. From the data he noted that 90% of staff received a rating of good or higher which was surprising. Mrs Setchell clarified that each College/Department was allocated an amount of money to distribute which was attempting to address retention, market rate and relative position on the pay spine.

Mr Smith asked if the system was wrong or that it was not being managed and applied as intended to deliver the right result for the institution as opposed to the individual. Mr Taylor could see two problems at play, how to rate individuals and then how to reflect this in their pay award. The NSS score had fallen below target for the institution and yet the distribution suggested performance across the whole academic team was good to outstanding.

Mrs Dean felt that the descriptor “good” was unhelpful, creating a default position. Mrs Setchell said that spans of control were another contributing factor where some academic leads had 20 plus staff reporting through to them making regular development and performance conversations difficult to schedule. Another factor was the setting of appropriate DPR targets at the outset, calibrated across the University to drive high performance.

In summary the Chair thanked Mrs Setchell for sharing this information. The Committee agreed that change was needed to the pay review process and arrangements, including DPRs to drive positive performance and reward the right behaviours and culture. Members noted that this would demand effective implementation by all managers at every level to deploy this effectively. Mrs Setchell had the support of the Committee in progressing the areas for attention she had highlighted.

**6. Remuneration of Senior Staff – Bonus Element**

**Rem/19/4/6**

Mrs Setchell reported that VCE had concluded that based on a review of the 2018/19 performance (see earlier item on KPIs) and the University's financial position, that we should not pay a leadership bonus in November 2019.

Mrs Setchell had made this proposal to Remuneration Committee by email on 2 September 2019, via an email which was circulated by the Chair to members of the Committee only. All members indicated their support for this proposal to the Chair. Mrs Setchell was pleased to report that the decision had not created a negative reaction, leaders within the organisation acknowledged the factors that had influenced the outcome.

The Chair thanked Mrs Setchell for the report and members were pleased to learn that the decision not to pay a bonus to the leadership group had been accepted.

**7. The Vice-Chancellor's Bonus**

**Rem/19/4/7**

In line with the whole of the leadership group the Vice Chancellor would not be awarded a bonus for 2018/19 performance.

**8. Draft Annual Report of the Committee**

**Rem/19/4/8**

The Chair introduced the draft annual report, thanking Mrs Setchell and her team for preparing this. Mr Taylor drew attention to the pay multiple section and asked to what extent those HEIs who outsourced some of their services e.g. cleaning, catering etc benefitted in this calculation. It was agreed that this was a factor and that there was a paragraph in the Annual Accounts which addressed this. It was noted that our multiplier was not currently an outlier in the overall sector results.

Mrs Setchell noted that the Vice Chancellor's pay was currently below the median and would be something to be aware of in future salary reviews.

The draft Annual Report was approved by members for recommendation to Governing Council at its meeting on 8 November 2019 and subsequent publication.

**9. Pension – Annual and Lifetime Allowance**

**Rem/19/4/9**

Mrs Setchell had prepared this paper to brief the Committee on the impact of the Annual Allowance and Lifetime Allowance tax limits which could affect our senior staff group. She explained that the Annual Allowance is the maximum amount that an employee's pension benefits value can grow in any tax year without having to pay a tax charge. The current limit is £40k. This had reduced over time from £255k in 2011. Members' pensions which exceeded the £40k allowance may be protected from any charge by drawing on unused allowance from the previous 3 years.

Those most likely to be affected are those in an active final pension salary scheme and those classified as "high earners".

From the 2016/17 tax year the Annual Allowance was tapered for members with a threshold income in excess of £110k and an Adjusted Income in excess of £150k. For every £2 above the £150k the

Annual Allowance is tapered down by £1, to a minimum allowance of £10k. Anyone earning over £210k will have their Annual Allowance capped at £10k.

Mrs Setchell confirmed that there are 12 employees paid above £100k, of which one employee is paid above £150k. The purpose in bringing this to the Committee was to reset our position and to be clear on our policy for the future.

Outside of the public sector, the payment of pension salary supplements is commonplace, although companies do not necessarily grant this payment to all employees who request it.

The Chair reminded the Committee that back in 2012 the previous VC and DCE/FD had benefitted from pension salary supplements at that time. Mrs Setchell pointed out that it may be considered inappropriate to apply the decision just to higher paid staff though offering an alternative pension to lower paid staff may be viewed as in contravention of auto-enrolment. Mrs Setchell confirmed that we do not currently pay a salary supplement to any employee. To help employees with the understanding of their pension scheme the HR team were organising LGPS/TPS representatives to visit to give general advice, in addition to procuring specialist advice on the Annual and Lifetime Allowances to be available to key senior employees.

The proposal in the paper, which the Committee agreed, was that we do not allow anyone to be eligible for a salary supplement as an alternative to pension scheme membership but that this be kept under review.

Mrs Setchell also explained that whilst pensions are valued by many employees it is of lesser value to younger staff whose retirement date is too distant for it to be a factor for them and so may opt out. It is proposed that we explore introducing a new Defined Contribution pension scheme that would be available on a voluntary basis, as an alternative option for those employees who have opted out of either TPS or LGPS.

#### **10. Review of Reward**

**Rem/19/4/10**

Mrs Setchell introduced the paper, which was not intended to be a strategy but an overview of the different reward elements for review and feedback. She was keen to simplify our approach, ideally aligning to a single pay spine for academic and professional support staff. However, this was not a straightforward change with expertise required which would not be in place until January 2020. Members were supportive of this aim.

Appraisals form an important part of development and performance review. It was suggested that a change to nomenclature from the current 6 performance descriptors would be welcomed by staff with a “soft” link to performance.

Another element in the reward structure was the allocation of automatic annual increments to the top of the scale. Mrs Setchell recommended retaining these because it was written into the national framework agreement governing academic contracts and therefore if the direction of travel is a single pay spine it made sense to treat academic and professional services staff the same in this regard. Beyond this it was suggested that there be the option for a one-off payment outside of the normal cycle to recognise outstanding work/achievements. To protect equality and consistency a corporate level committee would receive such nominations to calibrate and judge the final awards. This option was particularly important for academic staff as the University does not currently have an accelerated process in place for those that reach the top of the grade.

Turning to Leadership Groups, Mrs Setchell suggested that this might be separated into Group A, then Groups B-D with current leadership group E joining the single pay spine scale. There would need to be a separate benchmark exercise to look at professorial roles, there may well be significant cost associated with this.

Mr Taylor commented that we should consider total benefits including earnings beyond the University e.g. consultancy, commercial, Intellectual Property etc so we see reward in the round.

Mr Smith was keen for an options appraisal of senior leadership roles with external benchmarking to ensure that salaries and uplifts kept pace with the market value. He was in favour of discretionary non-consolidated awards as part of the reward package to motivate and incentivise.

Mrs Setchell confirmed that clear guidelines would need to be set for one-off awards. The cost of this would need to be assessed. She acknowledged it would be difficult to remove all complexity, for most staff an annual increment and cost of living increase would apply, anything above this would need to be exceptional. It would be important to ensure that rewards allocated aligned to the drive for high performance.

Professor Mitchell felt that under these proposals transparency would be achieved which is key for staff and that fairness between groups of staff and senior leaders would be more apparent.

With regard to the two options in the paper proposed for full year salary awards Dr Webster was concerned this was still too complex with different proposals for groups for the in-year awards.

Mrs Dean noted that the rating of “outstanding” should be for exceptional level contribution which was clearly above and beyond what was expected. She also highlighted that there were separate implications for FE staff and asked that this be considered as part of the same exercise.

The Chair noted that for Leadership Groups B-D if an individual was at the top of the range then salary increase would be limited to cost of living rise only and wondered if this was intended, noting that the remit of this Committee was the Senior Leadership Group. He favoured options which achieved simplicity and consistency.

Mrs Setchell briefly introduced the section in the paper that detailed other benefits in the overall reward package, highlighting flexible working as an area that needs further guidelines developed to ensure consistency. Members agreed it was helpful to see this set out so clearly.

In summary the Chair thanked Mrs Setchell for a very clear paper which had helped to focus discussion and allow members the opportunity to respond to the various elements proposed. Remuneration Committee would welcome sight of the next version and the Chair noted that as the work develops both SFPC and Governing Council should also be given the opportunity to comment on cost and overall direction of the strategy. Mrs Setchell recognised the desire for change but as we were already in the 2019/20 pay cycle, we would aim to develop final proposals for 2020/21 by April 2020. She thanked members for their consideration and feedback.

## **11. Voluntary Severance Proposal**

**Rem/19/4/11**

Mrs Setchell introduced this paper which proposed a corporate Voluntary Severance Scheme. The scheme would apply to all staff except for Derby Theatre employees. Mrs Setchell set out the rationale, the University, along with many others in the sector is facing challenging times. Whilst financially stable the recent projections have confirmed that rising staff costs compared to stagnant

income cannot be sustained. Voluntary Severance Schemes (VSS) are commonplace in the sector in addressing such challenges.

The proposal offered enhanced terms for staff to exit, twice the entitlement to statutory redundancy, based on actual week's pay. Example calculations were included in the document for illustrative purposes. Mrs Setchell set out the potential timeline and method by which the scheme would be managed, a full guidance document was in preparation to assist applicants and managers. She noted that VSS is entirely voluntary, the University is not obliged to approve applications.

Mr Taylor noted that as Chair of SFPC that Committee also had an interest in this proposal, and he was keen to see projections of likely take up. He would wish to be reassured on the level of savings and likely re-investment. If VSS does not deliver the level of savings and change needed, then a follow up plan will be required. Mrs Setchell confirmed there was no specific target in place, if successful VSS would deliver savings and avoid a follow on Voluntary Redundancy option

Dr Webster wished to understand the process which would apply in considering VSS applications, the expected pay-back period, the monitoring and reporting of achieved savings. He suggested that individual high value settlements be referred to Remuneration Committee for approval and that the overall value for money case for the University be presented to GC.

Professor Mitchell clarified that if VSS was approved for individuals those roles would no longer exist, but the resource may be deployed in full or part elsewhere in the University aligned to achieving growth and attaining institutional success measures.

The Chair was concerned about the governance process, securing support from this Committee, SFPC and Governing Council through due consideration. We should not embark upon the exercise until this is complete even if that pauses the desired timeline. Members held reservations about launching the scheme without a full value for money case and insight into the detail of how individual cases would be assessed including equality impact.

The Chair sought approval for the VS calculations set out in the paper, members were content to approve this aspect. Members had offered their comments and feedback which would now be collated with those from SFPC and GC meetings scheduled for October/November 2019 prior to a final decision to launch the scheme.

**12. Senior Staff Engagement Activity – Full Year 2018/19 Rem/19/4/12**

Mrs Hughes presented this paper for information. She agreed to invite members of the new Performance and Governance Delivery Group to complete the survey during 2020/21 which would expand content to the senior tier below VCE.

**13. New Vice-Chancellor's Executive Salaries Rem/19/4/13**

Since the July meeting of Remuneration Committee, the structure of Vice-Chancellor's Executive had been reviewed. As a result, the Committee was asked to review and confirm the salaries of Professor Malcolm Todd the DVC & Provost (Academic and Student Experience) and Russ Langley as Chief Performance Officer who had both been matched into roles. Mrs Setchell had included information in the paper on sector benchmark salaries for each of the roles under consideration.

**[Confidential Minute]**

14. **Any other business** **Rem/19/4 /14**  
There was no other business.
15. **Date and time of next meeting**  
Thursday 13 February 2020, 2pm - S303, Kedleston Road, DE22 1GB

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
Neil Calvert, Chair of Remuneration Committee