

REMUNERATION COMMITTEE

12 SEPTEMBER 2023

REDACTED MINUTES FOR PUBLICATION

A meeting of the Remuneration Committee was held remotely via Zoom videoconferencing on Tuesday 12 September 2023 from 11.00am-12.30pm.

Present: Graeme Scott [GS] Honorary Treasurer and Chair
Amanda Clack [AC]
Adam Denton [AD] Student Trustee Observer
Stephen Jackson [SJ]
Andy Macdonald [AM] External Representative

Apologies: Jane Fawkes (University College Secretary) [JEF]

In Attendance: Lyndsay Hughes (note taker) [LH]
Ashley Wheaton (Principal) [AW]
Lisa Wilks (HR Director) [LW]

0360 1.1/ DECLARATION OF ANY CONFLICTS OF INTEREST

0361 There were no conflicts of interest declared though it was noted that Ashley Wheaton would leave the meeting for item 4.2.

0362 1.2/ WELCOME AND APOLOGIES FOR ABSENCE

0363 The Chair noted that Jat Brainch had stepped down from the Board of Trustees and his own appointment as UCEM Honorary Treasurer means he has now joined the Remuneration Committee as its new Chair.

0364 There were no apologies for absence, but the Committee noted that Jane Fawkes would not be in attendance to observe any of this meeting due to annual leave.

0365 1.3/ MINUTES OF THE MEETING HELD ON 22 FEBRUARY 2023

0366 The minutes of the Remuneration Committee held 22 February 2023 (paper 1.3) were **APPROVED** as a true record and signed by the Chair of the Board of Trustees. The proposed redactions from these minutes were approved ahead of being published on the UCEM website.

0367 1.4/ MATTERS ARISING AND ACTIONS SUMMARY

0368 The Committee **NOTED** all the outstanding actions agreed by the Committee have all been closed or are due for consideration in the meeting itself or at the planned

October 2023 Committee meeting (provision of pay benchmarking award data of UCEM staff by protected characteristics).

ACTION: Ensure the data on pay benchmarking of UCEM staff by protected characteristics is collated and presented to the Committee in October 2023. [LW]

0369 **1.5/ REMUNERATION COMMITTEE ANNUAL REPORT 2022-23**

0370 The Committee **NOTED** that every UCEM Sub-Committee prepares an annual report of its work relative to its Terms of Reference as part of demonstrating on-going good governance practice and highlighting to the full Board of Trustees how the wider responsibilities of the Governing Body are being met on its behalf by the Sub-Committees. The report for the Remuneration Committee for the 2022-23 academic and financial year was presented in paper 1.5 for review and approval.

0371 It was pointed out that there are some inconsistencies between the CUC Remuneration Code guidance on the required content of a Committee Annual Report and the report presented to the Committee at paper 1.5. For example, the Code advises that the report to the Board should ideally be the same as the content on remuneration included in the institution's Financial Statements. The Code also refers to matters that Committees 'must' and 'should' follow and UCEM should therefore be clearer on this, to then allow subsequent matters to align accordingly. It was considered that the Committee's Annual Report in its current form is quite repetitive of committee minutes and could be simplified/substantially reduced. It was also commented that the Committee might expect to see included in the report notification of any senior level resignations/exits from UCEM (though there were none in 2022-23), the CEO pay ratio to overall institutional costs and the total cost of the Executive Team as a proportion of total institutional costs (and how much this has varied year on year). Some of this is a requirement of the CUC Code and some is not so a full review is required (e.g. there are also other matters included in the CUC Code which UCEM's Remuneration Committee has not considered such as operation of the Expenses Policy). Whilst the Committee confirmed it has no concerns with the report content, it should be tightened up for consistency and transparency in the future, alongside the Committee Terms of Reference and the overall purpose of the Committee Annual Report.

0372 It was **AGREED** that Jane Fawkes should be asked to undertake further work on UCEM's Terms of Reference, how they align with the CUC Remuneration Code and the OfS requirements of the institution from a regulatory perspective and tighten up the both the content of the proposed Annual Report and the Committee Terms of Reference to better align all three. It was requested this work be undertaken in the next month and the documents re-presented to the Committee in October for approval. It can still then be presented to the Board of Trustees in November 2023 for final review and approval as planned.

ACTION: Review and amend the Annual Report in line with revised/updated Terms of Reference that better clarify those elements of the CUC Remuneration Code that UCEM will be adhering to. [JEF]

0373 **2.1/ ROLE AND REMIT OF THE REMUNERATION COMMITTEE**

0374 The Committee was reminded of its role through consideration of its Terms of Reference, the requirements of the Office for Students Accounts Direction and the CUC Higher Education Remuneration Code guidance provided in papers 2.1a, 2.1b and the link to the CUC Higher Education Senior Staff Remuneration Code. The Committee **NOTED** that its deliberations will be transparent to the wider Board and that minutes (with redactions) will be published on the UCEM website. The Committee also **NOTED** that full transparency is driven by the Office for Students Conditions of Registration and the requirement to publish a pay transparency justification statement and a pay multiples submission later in the year.

0375 In line with comments already made at minute 0371, the Committee requested greater clarity from the Terms of Reference. This should include whether it does have responsibility for reviewing Executive Team remuneration or whether this is only for those staff earning over £100,000 (which is not the same), as well as whether this £100,000 threshold is for actual basic salary, Full Time Equivalent salary, or total compensation/remuneration (actual basic salary being more preferable to the Committee). It was acknowledged that the current inconsistency arises from the evolution of the Remuneration Committee in recent years in light of the changed regulatory context surrounding senior staff remuneration following UCEM's designation by the OfS as an Approved Fee Cap Provider. What UCEM may wish to do from its own institutional governance perspective might be different to the specific regulatory requirements it is required to fulfil and the guidance in the CUC Remuneration Code. As well as considering regulatory requirements and the Code guidance, it will be important to ensure the Committee's role aligns appropriately with the wider role of the Board and its delegations of authority to other Committees. For example, the Nominations and Governance Committee also has an expectation to approve senior level appointments within UCEM, this would not be the remit of the Remuneration Committee alone.

0376 The Committee **AGREED** the Terms of Reference should be fully reviewed and revised to define how UCEM will align with the CUC Remuneration Code, its regulatory compliance on remuneration of senior staff and what is institutionally beneficial in terms of remuneration committee governance and the Board's delegation of authority to the committee. This will be reviewed again at the meeting in October 2023 and will proceed to the Board for wider approval thereafter.

ACTION: Fully review the Remuneration Committee Terms of Reference in line with the comments made by the Committee and re-present them for approval in October 2023. [JEF]

0377 The Committee **NOTED** the context in which it is empowered to make decisions on remuneration of key roles at UCEM and **NOTED** the relevant guidance provided.

0378 3.1/ STAFF REMUNERATION AND REWARD

0379 Lisa Wilks reminded the Committee that the Board of Trustees had approved, on 6 July 2023, the budget for 2023-24. Paper 3.1 outlined how the Executive plans to allocate this budget towards staff pay review in 2023 across three elements. The first element is a 5% pay rise for all staff (where conditions relative to performance and length of service are met). Secondly, during 2022-23 a budget of 3.4% of payroll (£300,000) (excluding Associate Tutors) for performance related bonuses was accrued to be distributed against a five-point graded performance score for all staff (due to be paid in October 2023 and currently being finalised by the Executive Team). **REDACTED** The package of awards applies to UCEM's core group 1

employees only (not Associate Tutors, for example, who are typically paid set rates for specific work they are contracted to undertake).

0380 **REDACTED** This will be a core element of the Board's strategic discussions in late September 2023 and is linked to wider operational efficiencies and productivity across the whole business.

0381 It was **AGREED** that greater transparency of the bonus accrual should be provided in the management accounts and the budget. UCEM is planning to accrue £400,000 in 2023-24 and whilst this was approved within the overall budget it was not explicit.

ACTION: **Ensure the bonus accrual throughout the year is transparent in the management accounts/budget presented to Finance Committee.**
[Tim Mills]

0382 The Committee **NOTED** and endorsed the pay review process and allocation for UCEM staff for 2023.

0383 **3.2/ BENCHMARKING ALL UCEM STAFF TO MEDIAN QUARTILE PAY**

0384 The Committee had requested information on the total cost to UCEM of moving all staff to Median pay at a previous meeting. This information was provided in paper 3.2 and outlined that it would cost in the region of £1.2M and that this had been deemed unaffordable by the Executive at the current time. This figure was based on benchmarking information from 2022 and would probably be higher now (sector has typically approved pay awards of between 5-8% this year).

0385 The Committee requested that a plan, with interim milestones to move toward median pay, be developed. AW advised that this was again tied up with a wider organisational optimisation plan that will be coming forward as part of the strategy discussions in late September with the Board. This work will focus on people and talent, automation and productivity and should also include an Annual Pay Strategy which will outline the steps towards the Median Pay aspiration each year.

0386 The Committee **NOTED** the potential cost of at least £1.2M to UCEM of enacting a Median Pay policy immediately and the Executive decision of May 2023 that this is unaffordable to UCEM in the immediate future.

0387 **3.3/ DRAFT UCEM SABBATICAL LEAVE POLICY**

0388 Lisa Wilks presented to the Committee a draft Sabbatical Leave policy (paper 3.3 and 3.3a) which had been requested by the Committee in 2022.

0389 The policy was considered comprehensive and applicable to all UCEM staff, in both UK and Hong Kong, and not just academic staff. It is subject to further refinement through internal consultation once the principles have been approved by Remuneration Committee.

0390 It was commented that the proposed policy is one for leave without pay, but there may be circumstances in which the leave for a specific purpose is beneficial to UCEM and the requestor might benefit from some continued pay. This should remain a discretionary consideration. It was also commented that some tightening up on the wording on approvals for such periods of leave should be undertaken. It was also felt that one month minimum to 9 months maximum (potentially with the added

wording 'normally up to 6 months') should be the period of time considerable under this policy and that a five year-period of qualification should 'normally' apply rather than the proposed three (unless under exceptional circumstances), that the wording on saving of costs should be removed, and that stakeholder pension minimums may need consideration within the policy.

- 0391 The Committee **APPROVED** the draft Sabbatical Policy pending further consideration of and inclusion of the comments and feedback provided and agreed it can proceed to further consultation internally ahead of a final stage of refinement pre formal approval.

0392 4.1/ THE PRINCIPAL'S PROPOSALS FOR EXECUTIVE TEAM REMUNERATION AND REWARD FOR 2022-23

- 0393 Ashley Wheaton proposed pay awards and bonus payments for the Executive Team in line with awards being made to all staff and with the recently approved Executive Team Performance Award (ETPA) bonus scheme (paper 4.1, 4.1a and 4.1b), for approval by the Remuneration Committee. Proposals for 5% pay uplifts align with those being made to all UCEM staff and all proposals for bonus awards align with the budget approved by the Board in July 2023. AW also advised that the proposals conform to the terms of the ETPA: 70/30 split between collective performance on the delivery of the CX9 and individual performance rated against the institutional 5-point performance scale.

- 0394 AW advised his proposals reflect the exceptional year of delivery of the core institutional metrics and that awarding the full allocation against this was fair.
REDACTED

- 0395 REDACTED

- 0396 The Committee also discussed when the payments should be made to the team. The scheme rules allow for one final further review/confirmation of awards by the Remuneration Committee in October and payment in November, however, AM cautioned that payment of any bonuses to staff ahead of the final audited accounts being signed off is risky and recommended all payments should be delayed to December. This had proved to be a red flag in his own institution's audit this year and payments were, as a result, delayed. The Committee agreed the timeframes already approved should not be changed for 2023 but a potential change should be given consideration for 2024.

ACTION: Consider whether all staff bonus payments should be delayed in future years until after sign-off of the audited accounts (December). [LW]

- 0397 REDACTED

- 0398 REDACTED

- 0399 REDACTED

- 0400 REDACTED

- 0401 REDACTED

0402 REDACTED

0403 REDACTED

0404 The Committee **NOTED** that it would have an opportunity to finalise these recommendations and approvals, if necessary, at the October 2023 Committee meeting when the final financial results for the year are complete. The Committee also **NOTED** that the total budget impact of these awards relative to 2022-23 were all within agreed and approved budgets. The actual total increase in basic salaries (excluding the Principal) is £34,842. Finally, the Committee **NOTED** that, in taking these decisions on remuneration and bonuses, where any basic salary over £100,000 per annum or total remuneration package now exceeds £150,000 per annum, UCEM will be required to disclose this in accordance with the relevant OfS accounts direction.

ACTION: Process the remuneration adjustments for the Executive Team in the November 2023 payroll, backdated to August 2023 and the bonus payments in November 2023, pending Remuneration Committee final confirmation in October 2023. [LW]

0405 Ashley Wheaton left the meeting at the conclusion of this item.

0406 4.2/ PROPOSAL FOR THE REMUNERATION AND REWARD OF THE PRINCIPAL for 2022-23

0407 The Chair of the Board of Trustees introduced papers 4.2, 4.2a and 4.2b which provided proposals on the reward for the Principal for 2022-23 in the context of benchmarking information and performance information, in order for the Committee to agree any pay award and annual bonus for the Principal and to agree how the Principal's performance will be measured in 2023-24.

0408 The Committee **NOTED** that the Principal is currently in receipt of a basic salary of £219,575 per annum. The contract of employment contains provision for a discretionary annual bonus of such amount as the Board may determine.

0409 The Committee established clear metrics for the award of any bonus for the 2022-23 year which were focused on four areas of work. These areas were: 1) operational and overall business performance based on the CX9 targets; 2) strategic priorities around development of a financial resilience strategy, an estate strategy, delivery of GLOBE Stage 1 and work towards achieving University Title; 3) increasing the profile and brand of UCEM; and, 4) personal development.

0410 The Committee considered feedback on the self-assessment of the Principal against the agreed metrics, noting that the first month of the 2022-23 year he was still on his leave of absence, returning to the business in August 2022. The Committee also considered the Director of HR's data on current remuneration and benchmarking. The Director of HR did not make any recommendation to the Committee on the remuneration and reward it could/should make to the Principal for the 2022-23 year, this was provided by the Chair of the Board of Trustees.

0411 The Committee **APPROVED** a 5% basic salary rise (in line with that awarded to all staff and within the approved budget) taking the Principal's actual basic salary from £219,575 to £230,554 from 1st August 2023 (paid November and backdated).

ACTION: Process the basic salary adjustment for the Principal in November 2023, backdated to August 2023. [LW]

0412 REDACTED

0413 The Chair of the Board proposed a bonus recommendation for the Principal of **£40,000** (approx. 18%) as a **fixed amount** for 2022-23. (Note: 2022 bonus fixed amount was £39,500). This recognises the strength of delivery against key metrics such as CX9, Staff Satisfaction Scores, the NSS Scores, coupled with a strong financial performance. As the Principal approaches his tenth anniversary with the University, the Board needs to acknowledge the outstanding contribution he brings, but also be mindful that the bonus is both discretionary and unusual compared with his peers. Nonetheless, the Chair of the Board commented that UCEM is lucky to have an outstanding individual in place that continues to demonstrate drive, energy, commitment and a passion for the ongoing development of UCEM. The Chair of the Board also commented that, as in previous years, retention (and attraction) remain a concern for UCEM. Remuneration Committee, and the Board, are always cognisant of the market and the war for talent, by informing our decision making on the remuneration and bonus for key people on an informed basis from benchmarking data from other universities, as well as the wider market. UCEM is a unique institution that is heavily reliant on the continuum of key people and roles for its longer term sustainability, which is something the Board is cognisant of and considers in terms of the wider succession planning discussion.

0414 REDACTED

0415 REDACTED

ACTION: Inform the Principal of the decisions of the Committee regarding remuneration and reward for the 2022-23 year. [AC]

ACTION: Process the bonus payment for the Principal in November 2023 following the October Remuneration Committee, at which a final opportunity to review and confirm these decisions will be made. [LW]

0416 LW advised the Committee that there had been some issues with line manager interpretation of the level 3 and 4 performance ratings during 2023 and a proposal to amend these will be considered by the Executive during autumn 2023.

0417 AC advised that the objectives for 2023-24 were still in the process of discussion between AC/AW and **AGREED** to work with the Principal over the next month to set objectives for the year ahead which will be shared with the wider Committee by the next meeting.

ACTION: Share the agreed performance targets and metrics for the Principal for the 2023-24 year with the wider Committee in October 2023 once agreed. [AC]

0418 The Committee **AGREED** that it would continue to accrue up to 20% of the Principal's new salary during 2023-24 for potential bonus in 2023-24.

0419 Finally, the Committee agreed to undertake individual benchmarking for all Executive Team roles (including the Principal) at UCEM by creating a more appropriate peer group than any of the current benchmarks provides – this would include only universities that are more directly comparable to UCEM in terms of size and scope.

ACTION: Prepare an individualised UCEM mission group of institutions to allow for pay benchmarking comparisons for the UCEM Executive Team. [LW]

0420 **4.1/ ANY OTHER BUSINESS**

0421 No other matters of business were raised. The Chair thanked LW and the wider team for all the work put into preparing for the meeting and the matters discussed. The Chair then closed the meeting at 12.19pm.

0422 The date and time of the next Remuneration Committee meeting will be Wednesday 18 October 2023.

Signed: 

Name: Graeme Scott

Position: Chair, Remuneration Committee

Date: 18 October 2023