

UNIVERSITY OF GLASGOW

Remuneration Committee

Notes of the Meeting held on 23 May 2016

Present Ken Brown (convener)
Dominic Cole-Morgan
Rob Goward
Anton Muscatelli
David Ross

Attending Christine Barr
David Newall

Apologies Brian McBride

1. Pre-meeting discussion

The lay members of the Committee met with Duncan Ross, Senior Senate Assessor, to discuss points raised by members of Court regarding the spread of P&DR outcome assessments for SMG members as compared with the spread for the workforce as a whole.

2. Notes of the meeting on 7 October 2015

These were approved.

3. Salary Augmentation

Successive reviews to government fiscal policies in recent years had resulted in a series of reductions to the Annual and Lifetime Allowance for pensions savings. These changes, coupled with reforms to the USS pension scheme, would have a financial impact on the taxation of high earning staff in the University.

The Committee was advised that most Russell Group universities had now introduced policies on salary augmentation, providing an opportunity for high earning staff who withdrew from their occupational pension scheme to receive a salary enhancement. To date Glasgow had not adopted such a policy. However, in view of the approach being adopted by competitor institutions, the Committee agreed it would be prudent for the University to offer a salary augmentation option, specifically to address the issue of tax detriment, so as to ensure competitive remuneration packages for staff who were instrumental in delivering the University's strategic ambitions. It was agreed that, if a salary augmentation option was to be offered, then some important principles must be observed: it must not serve as a general incentive for staff to withdraw from their occupational pension scheme; it must apply only in a situation where the member of staff secured continuing cover for incapacity and death in service; and it must be financially neutral for the University.

The Committee now discussed and agreed the terms of a salary augmentation scheme for those adversely affected by breaching the Lifetime Pension Allowance. The policy introduced an option specifically for staff who might be affected by increased tax liability as a result of changes to the Lifetime Allowance effective in the period April 2012 to April 2016 inclusive. Eligibility to receive salary augmentation would only be available with effect from 1 April 2016. Augmentation would be conditional upon receipt of a formal request from the member of affected staff, and confirmation by the applicant's independent financial adviser that this was the most prudent and preferred route for the applicant.

It was agreed that all requests for salary augmentation in terms of the Scheme would require the approval of the Principal, the Senior Vice-Principal and the Secretary of Court; and that a report should be brought to each meeting of Remuneration Committee on the number of requests approved.

4. Internal Audit Report on Severance Payments

The Committee received an internal audit report, dated February 2016, on Severance Payments, and noted the management actions being taken in response to its findings. The area had been summarised by the auditors as 'low risk', and its two recommendations had now been addressed by University management.

5. Voluntary Severance Approvals

The Committee was advised that, since its last meeting, University officers had approved 11 severance packages within the standard terms of the University's VS Scheme. Nine of these had been in University Services and two in Social Sciences. The total cost of the packages had been £350,924 and the average payback period had been 7.3 months.

Whenever voluntary severance proposals: departed from the standard terms approved by Court; or exceeded £100,000; or involved a member of SMG, the matter required to be considered by the Remuneration Committee. There had been no cases in these categories since the last meeting of the Committee.

6. Performance & Development Review

The Director of HR updated Remuneration Committee on the launch of the 2016 Performance & Development Review exercise, which would take place between May and September. Widespread consultation had taken place with University staff on the shape of the P&DR exercise, and this had led to some modifications to the system, aimed at making it less onerous. In particular, a lighter-touch approach was being adopted to moderation, a 4-point performance outcome scale had been introduced, and no forced distribution of outcomes was being proposed. The Committee noted also that in 2016 the system would operate online for the first time.

The Committee expressed a hope that these improvements would help make P&DR more effective and that, after several years of change, the P&DR system could now be maintained in its current form.

7. Salary Review

In its annual review of SMG salaries in October 2015, Remuneration Committee had considered how the salary levels of SMG members compared with those of Russell Group and other UK university competitors. While at that time the Committee had decided not to propose any market-related salary adjustments, it had noted that the salary of one high-performing member of SMG was considerably below the median for comparator institutions. The Committee now received a request from the Principal that it review that individual's salary in view of the comparator information and as a matter of retention. The Committee agreed to implement a salary increase as proposed, with an immediate pay rise in June 2016, and a further increase scheduled for August 2017. The Committee asked that the Director of HR implement this with immediate effect.

It was noted that the salaries of all SMG members would continue to be reported annually to Court, in £10,000 bands.

8. Thank you

Remuneration Committee recorded its appreciation of the contribution made over several years by David Ross and by Brian McBride, each of whom would stand down from membership on 31 July 2016.

9. Date of Next Meeting

October 2016; date to be confirmed.

DN, 24.5.16

UNIVERSITY OF GLASGOW

Remuneration Committee

Notes of the Meeting held on 23 November 2016

Present Ken Brown (convener)
Dominic Cole-Morgan
Rob Goward
June Milligan
Anton Muscatelli
Elizabeth Passey

Attending Christine Barr
David Newall

1. Notes of the Meeting on 23 May 2016

These were approved.

2. Senior Management Remuneration

In conducting its annual review of the salaries of members of the Senior Management Group, the Committee received and considered the following inputs :

- .1 *A review of the economic and political considerations currently affecting the higher education landscape in the UK.* This identified that University finances were anticipated to be under considerable pressure in the years ahead. It also noted that a 1.1% pay award had been now been awarded, UK-wide, with effect from 1 August 2016, to all those staff who were included within the scope of national HE pay bargaining.
- .2 *A report from the Principal on the performance of members of the Senior Management Group in meeting team objectives and individual objectives in 2015/16.* SMG had been set five team targets. Three of these, relating to business growth, cash generation, and improved leadership performance as measured by 360° feedback, had been achieved. A fourth, on research income growth, had not been met although good progress had been made. A target relating to the Student Experience, as measured by the National Student Survey, had not been met: the University's NSS results had deteriorated from the previous year. The Committee agreed that, overall, this performance equated to a '*Strong Contribution*' by the Management Group; i.e. the second point on the 4-point P&DR scale. The Principal was asked if there were individuals within SMG whose performance should be recognised this year as exceptional, or as inconsistent. He advised not, and emphasised the importance of all SMG members owning team objectives and contributing to their achievement. The Principal's intention was that there would be a stronger focus on collaborative targets in future.

- .3 *Benchmarking information, from the Universities & Colleges Employers Association.* This compared the salaries of the University's SMG members with those of staff in similar roles in major UK universities. While this data contained personal information, which should not be shared more widely, the Committee agreed it was important to record in the minute some general messages emerging from it. It was clear that, generally, the University was paying its senior executives less than the average and median salaries of similar positions throughout UK higher education. 7 of the 12 SMG members for whom comparative data was available - including the Principal - were paid less than 95% of the benchmark median salary. The salary of one member of the Management Group was less than 80% of the benchmark. While recognising the constraints, political and financial, on senior executive remuneration at this time, the Committee noted also the need for the University to offer remuneration that would attract and retain talent at senior management level.
- .4 *Advice from the University Court, as agreed at the Court meeting on 12 October.* This advice set out Court's requirements that the Committee undertake the review of SMG salaries in an informed and robust way. With regard to determining the appropriate level of salary reward, it required that the Committee should:
- provide tangible reward for excellent performance;
 - give consideration to any cases where the salary awarded by the University was substantially out of line with that of managers in equivalent positions at comparable universities; and
 - apply a general principle that percentage pay increases for senior managers should not be higher than those for the workforce as a whole.

Having considered all the information received, and the advice provided by the Court, the Committee resolved that

- .1 the salaries of all SMG members should be raised by 1.1%, i.e. the same basic increase as was being received by all University staff, with effect from 1 August 2016. The Committee noted that many members of the University community would, on top of the 1.1% increase, receive additional reward, through incremental progression and/or performance-related reward.
- .2 the salary of one member of SMG should, in addition, be increased by £10,000, given that this salary was very substantially below the benchmark median.

3. Professorial / Grade 10 Reward

Remuneration Committee was briefed on the Performance & Development Review outcomes for Professorial and other Grade 10 staff. While it was not a contractual entitlement, the University's established practice was that these staff, subject to satisfactory performance, should receive the nationally-negotiated salary increase (1.1% from August 2016). In addition, their P&DR outcomes were used to inform performance-based reward. Remuneration Committee's interest in this area was to review the approach being taken by executive managers in determining the level of performance-based reward.

Having considered possible alternatives, Remuneration Committee supported the following approach to performance-based reward in 2016:

- .1 each College / University Services should be allocated a budget (calculated as 0.5% of their total Grade 10 salary bill) to fund professorial/Grade 10 reward;
- .2 all staff with P&DR assessments of '*Exceptional contribution*' should be rewarded with a consolidated salary increase. The Committee agreed that the approach adopted (percentage or flat-rate increase) and the amounts involved should be at the discretion of each College, subject only to the constraint of their budget allocation per .1 above;
- .3 a consolidated award should also be made to professorial staff who were assessed as '*Strong Contribution*' and whose salary was currently in the Lower Quartile of the relevant Professorial Zone. Again, the Committee was content that the approach adopted and the amount involved should be determined by each College.

4. Internal Audit Report

As part of its annual programme of audits, the University's internal auditor, PricewaterhouseCoopers, had considered the workings of the Remuneration Committee. The focus of the audit was to consider whether the Committee was addressing the requirements of effective corporate governance, with reference to the national guidance issued by the Committee of Scottish Chairs. The auditors' conclusion was that this area of the University's work was 'low risk', and they noted a number of areas of good practice. No issues of concern had been identified and the audit report contained no recommendations.

5. Voluntary Severance and Salary Augmentation Approvals

The Committee was advised that, since its last meeting on 23 May 2016, university officers had approved 11 severance packages within the standard terms of the University's VS scheme. The split by College had been: MVLS 4; Science & Engineering 4; University Services 2; Social Sciences 1. The total cost of the packages was £275,751, and the average payback period was 8 months.

Whenever voluntary severance proposals: departed from the standard terms approved by Court; or exceeded £100,000; or involved a member of SMG, the matter was required to be referred to Remuneration Committee for decision. The Committee was advised that there had been no cases of this sort since its last meeting.

On 23 May 2016, Remuneration Committee had agreed that, subject to certain criteria being met, the University should provide an opportunity for high earning staff who withdrew from their occupational pension scheme to apply to receive a salary enhancement. It had been agreed that applications would be considered by the Principal, Senior Vice-Principal and Secretary of Court, and that Remuneration Committee should routinely receive a report on the number of applications approved. The Committee was advised that, since its last meeting on 23 May, 9 requests for Salary Augmentation had been approved.

6. Performance & Development Review

The Director of HR updated Remuneration Committee on the experience of Performance & Development Review in 2016. Several modifications had been made to the exercise this year: a lighter-touch approach was being adopted to moderation, a 4-point performance outcome scale had been introduced, and there had been no forced distribution of outcomes. In addition, the system had operated online for the first time.

While the modifications had generally been well received, the introduction of the online system had proved difficult for many staff, and had undoubtedly contributed to a decline in the proportion of P&DRs successfully completed. This currently stood at just 84%, compared with 96% for 2015. Of the outcomes reported, 18% of staff had been recognised as making an '*exceptional contribution*', with the large majority (80%) recorded as '*strong contribution*'. Much good progress had been made in embedding P&DR within the University in recent years, and the Committee hoped this progress would be sustained in future following the difficulties experienced with introducing the online system. The Committee felt that, looking to next year, the University's managers might give consideration to two features of the P&DR outcomes. Firstly, across all grades, there had been very low usage of the '*Inconsistent*' and '*Improved Performance Required*' assessments, which together had accounted for just 2.4% of 2016 outcomes (an exception to this rule was the Department of Estates & Buildings, where 21% of staff had been placed in these two categories). Secondly, a lower proportion of exceptional ratings had been afforded to staff on lower grades, with just 13% of staff in Grades 1-5 assessed as '*exceptional contribution*', compared with 28% of staff in Grade 10. It was noted that the relatively high proportion of exceptional ratings at Grade 10 would serve to reduce the level of performance-related award available for professorial and other Grade 10 staff.

7. Principal's Salary

The Principal and the Director of Human Resources absented themselves for this item.

The Convener of Court briefed the Committee on the annual review of the Principal's performance which she and the outgoing Convener, David Ross, had jointly conducted. They had benefited from feedback provided by members of Court and by members of the executive in the form of a 360° appraisal. That feedback had consistently reflected the respect that was felt for the Principal's leadership of the University. He was uniformly acknowledged to be performing to a high standard, to be strongly committed to the success of the University and to be approachable and straightforward in his dealings with staff. He was also perceived as a very well-respected figure nationally as well as within the University.

Turning to remuneration, the Committee noted that the Principal's salary, relative to those of other UK university principals, did not appear to reflect fairly on his personal performance or that of the University. That being said, the Committee took the view that, having rewarded all members of SMG a 1.1% salary increase, reflecting the performance of that team as a whole, it would be only appropriate that the Principal should receive the same level of salary increase as the other members of that Group. The Committee therefore agreed that the Principal's salary should be raised by 1.1% with effect from 1 August 2016.

The Committee concluded its discussion by recording its concern that the Principal's salary level was clearly below the Russell Group average, and indeed below the average for the larger non-Russell Group universities. While it did not propose to address this deficit in 2016, in view of the current economic climate and the desire for consistency among members of the SMG, the Committee noted that, with regard to retention and to offering fair reward, it was an issue it would consider further.

8. Vice-Chair

Court had asked that each of its Committees identify a Vice-Chair who would deputise for the Chair as required. On the recommendation of the Chair, Remuneration Committee agreed that June Milligan be appointed as Vice-Chair.

9. Date of Next Meeting

May 2017; date to be confirmed.

Action: DN

DN, 24.11.16