



Subject Draft Remuneration Committee Annual Report to the Board
Purpose For Note (Draft Report)
From Karen Holmes, Registrar & Chief Executive

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1. Summary

Under its Terms of Reference, the Remuneration Committee must submit an annual report on its work to the Board.

2. Open Session

3. Contribution to the Board's Purpose and Objectives

In delivering the Act, ARB's objectives are:

Protect the users and potential users of architects' services and to support architects through regulation. The work of the Remuneration Committee supports both objectives by ensuring that ARB's policies on remuneration and benefits are appropriate and provide proper reward to staff. The Annual Report ensures that the Board is kept informed of the Committee's work.

4. Annual Report

Key Points

i. Administrative Issues

The Committee consisted of Jagtar Singh (Chair), Nabila Zulfiqar and Richard Parnaby. The Committee held two meetings during 2018; in May and November.

Minutes of each meeting have been presented to the Board in open session. The Registrar & Chief Executive has been present at each meeting as well as Marc Stoner, the Head of Finance and Resources who attended for relevant sections of the meetings. The Committee also received a presentation around the benchmarking of the Registrar and Chief Executive's salary; this took place after the Board meeting on the 11 September 2018. The Registrar was not in attendance at that presentation.

ii. **Key Decisions & Discussions in 2018**

Review of the Board, Committee and Adviser daily Attendance Allowance and the Travel & Subsistence Policy

The Committee reviewed the policy at its May meeting with particular focus on the hourly rate paid to Inquirers and the criteria for when hotel bookings might be permissible under the travel and subsistence policy. The Committee noted that the hourly rate for an expert witness within a surveying and building specialism was £157 - £215 and after taking account of various factors, decided that it should recommend to the Board an increase in the Inquirer's hourly rate from £75 to £120 per hour.

The Committee also recommended to the Board that the policy be amended to limit the use of overnight stays in hotels to claimants who had to leave home before 6.30am to attend and to require claimants to book travel tickets in advance to limit costs.

All of the above amendments were approved by the Board at its July meeting and are now in force.

At the December meeting, the Committee agreed to recommend to the Board that:

- i. The half day rate for Board and Committee members, and advisers be increased from £187.00 to £187.50 for administrative purposes
- ii. The hourly reading rate for the members of the Professional Conduct Committee be removed
- iii. Guidance for when carers allowance may be able to be claimed be included
- iv. A requirement for any overseas air travel over £200 to be agreed in advance be included
- v. A reference to exchange rates for claims should be made
- vi. Gratuity paid when claiming for a taxi be excluded from permitted expenses.

The policy was agreed by Board and will be reviewed 12 months following the decision.

2018 Staff Engagement Survey and Appraisal Process Feedback

At its May meeting, the Committee considered the positive outcomes of the Staff Engagement Survey and feedback gathered after the rollout of the new appraisal system (which took place in late 2017). The Head of Finance & Resources has since held small focus groups with staff members to explore some key areas identified such as flexible working, stress and pressure at work, and training and development. The Head of Finance and Resources will provide the Committee with further information on this area of work in 2019.

Staff Salary Increase – Budget Figure

For budgetary purposes, the Committee agreed a 3% pay increase should be recommended to the Board for factoring in to the 2019 budget. Please note the

award given for 2019 was 1.5%.

Registrar and Chief Executive Salary - Benchmarking

At its May meeting, the Committee discussed the benchmarking exercise required for the Registrar and Chief Executive's salary and considered a proposal from QCG (the company previously engaged to undertake staff salary benchmarking in 2017). The report was presented to the Committee after the September 2018 Board meeting. The Registrar and Chief Executive was not present at this meeting.

At the December meeting, the Committee agreed that given the performance of the Registrar & Chief Executive that they needed to take the salary closer to 102% of the median (in accordance with ARB's pay policy) and agreed a 2.7% increase, with effect from the 1 December 2018.

It was also agreed that the Registrar & Chief Executive should receive a 1.5% pay award in from January 2019. This is to ensure that the salary did not fall even further behind whilst the committee attempts to get pay to 102% of the market median

Pension Arrangements

The Board's Pensions Advisor attended the May Committee meeting to provide assurance that the current group personal pension scheme remains appropriate for the organisation and confirmed ARB's continued compliance with the pension auto-enrolment requirements.

The Committee discussed the current adviser's performance and noted they were content but requested that the Head of Finance and Resources explore the market and report back in the next twelve months.

Succession Planning Policy

At its May meeting, the Committee noted an updated version of the Key Succession Planning Policy. The Registrar and Chief Executive provided the Committee with explanations of how the risks in this area were managed on a day to day basis such as written procedures, sharing knowledge and external salary and benefits benchmarking to ensure ARB remained competitive in the market.

Terms of Reference

In May 2018, the Committee reviewed its Terms of Reference to ensure they remained fit for purpose. When doing so, the Committee requested that the Terms of Reference be slightly adjusted to state that Committee sets the principles and policies governing pay and reward of ARB's staff.

Discussion around Staff Salaries and Benefits

As part of the presentation of the Committee's 2017 annual report at the 11 May 2018 Board meeting, the Board requested that the Committee consider three specific areas. The areas were:

- The protocol for raising questions about staff salaries and benefits – specifically how questions should be raised and whether staff members

present should be excluded from any ensuing discussion.

- An amendment to the Board minutes in respect of the Registrar's incentive payment – that it was a higher percentage than staff members.
- A request that the method by which decisions about staff salaries increases, including the Registrar's salary, be discussed by the Committee and consideration as to whether it remains appropriate.

The Committee considered the Board's request and concluded that the Chair of the Board would request that Board members raise queries or concerns about staff salaries and benefits in advance of meetings. The Committee noted that the Board minutes from 14 February 2018 had been amended to reflect the point raised by a Board member that the Registrar had received a higher percentage salary increase than staff members.

The method by which staff member's salaries were agreed was fully discussed. The Committee concluded that it would not carry out a full review of the method by which decisions about staff salaries increases, including the Registrar's salary be undertaken. It was noted that following the 14 February 2018 Board meeting, the Chair of the Committee circulated a note clarifying the process by which remuneration, including the Registrar's salary was decided.

Redundancy Policy

The Audit Committee had requested that a comparison between ARB's staff redundancy policy and that of the MHCLG's be undertaken to establish the rationale for why redundancy pay was offered after fifteen months as opposed to the statutory time period which is 24 months. The information was considered by the Remuneration Committee at its December meeting, where it was noted that in 2010 the Audit Committee had agreed that as a responsible employer ARB should have in place set redundancy terms above the statutory requirements, the Committee concluded that no amendments to the existing redundancy policy be required.

Staff Salary Increment 2019

At the December meeting, the Committee agreed a 1.5% pay increase for staff. In reaching its decision the Committee noted the removal of the cap on public sector pay award of 1%, and the guidance which explains that the expectation is that those falling under the cap will be able to make average pay awards within the range of 1-1.5%.

The Committee discussed other evidence within the paper highlighting what other sectors had awarded or were likely to award, including the regulation sector, and noted that for ARB to remain competitive its pay awards had to be generally in line with the market but not routinely exceed the guidance set out by government. The Committee after careful consideration awarded an increase of 1.5% in 2019 for all staff. It was also noted that the Registrar & Chief Executive has the discretion to adjust salaries in line with ARB's pay policy and Scheme of Decision Making.

Staff Incentive Payment 2018

Having considered the delivery and performance of the 2018 Business Plan under the terms of ARB's Incentive Scheme, a reward of 4% of salary was awarded to eligible members of the staff team.

It was noted that performance against the Business Plan had to be considered in the context of additional work undertaken by the staff team, including extensive work on preparing for the UK leaving the EU, work on the Hackitt Report and urgent work undertaken to prepare for the earlier than planned commencement date for the soon to be newly constituted Board. This has created a need for individuals across the organisation to backfill for team members focussing on these key areas and that the organisation had relied on the whole staff team to ensure it could meet expectations that had been set.

iii. **Standing Business of the Committee**

Following some queries raised by Board members at the February 2018 Board meeting about sickness and staff retention levels, the Chair of the Remuneration Committee also issued a detailed memo to all Board members with regards to staff turnover and staff sickness in 2017.

Annually, the Committee invites an external speaker to provide an update on the external human resources landscape. Jerry Taylor from HR Services Partnership attended the December 2018 meeting to provide an external perspective.

5. Resource Implications

The cost of the Committee to 2 December 2018 was £2,040. The Committee met twice over the past twelve months.

6. Risk Implications

A failure to appropriately reward staff and to maintain appropriate staff policies can lead to low morale and performance, the Remuneration Committee's work helps to ensure that this does not occur.

ARB also faces particular risks in view of the size of the staff complement. The impact of high staff turnover, unplanned additional work and staff absences can be significant. The Remuneration Committee considers such issues through the staff policies and the triennial staff remuneration and engagement survey.

The Committee also makes recommendations to the Board on the daily attendance allowances of Board members and of those appointed by the Board, along with recommendations on the organisation's Travel and Subsistence Policy.

7. Communication

The Remuneration Committee provides an Annual Report to the Board to ensure that the Board is able carry out its own oversight responsibilities.

8. Equality and Diversity Implications

Part of the work of the Committee is to ensure that Equality and Diversity implications are considered when executing its role, in particular staff surveys, salary benchmarking and benefits. The Committee is also alive to the Equality and Diversity issues surrounding the remuneration of Board members and all other external advisers.