



Subject Remuneration of Board Members – Fixed Annual Rate
Purpose For Decision
From Chief Executive/Director of Finance

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1. Summary

This paper sets out a proposal to move from a Board member daily attendance rate to a fixed annual rate (honorarium) that will be paid monthly in equal instalments.

The Board considered the proposal to move to a fixed annual rate at its meeting in October 2020. At the time, the Board felt that, whilst there were merits to an annual payment system, it was difficult to predict actual time commitments owing to the newly constituted Board not starting until March 2019, new Committee arrangements being put in place, and the different ways of working during COVID and in the wake of the former Board Chair's departure.

The work of the Board has increased recently, but the agreement of a new five year corporate strategy alongside changes to the committee structure (including winding up Policy Committee) has enabled us to have increased confidence in estimates of the time commitment and work load of board members. The calculation used to prepare the honorarium is based on the existing daily rate.

There are significant benefits to this proposal. It will enable a more transparent approach to Board costs, it will help manage (including forecasting and budgeting) Board costs more effectively and reduce the administrative burden both on the Executive and Board members, but it will also be clear to incoming Board members, the level of commitment and engagement required in the role.

The proposals set out in this paper are cost neutral.

2. Recommendations

It is recommended that the Board should agree:

- i. to move to an honorarium for Board members and the Chair of the Board;
- ii. that the Board approve the pay rates for Board Members, Committee Chairs and Prescription Committee Members as set out in the paper

3. Open session

4. 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

Support architects through regulation.

An appropriate level of remuneration for Board, Committee, Panel members, Advisers and ARB's staff ensures that ARB is fair, effective and efficient, and assists in supporting all of ARB's strategic objectives.

5. Background

- 5.1 The Board, along with the Executive, are tackling some important new challenges set out in its new Strategic Plan 2022-2026.
- 5.2 At its May 2020 meeting, the Board reviewed the daily attendance allowance for all non-executives following a bench-marking exercise carried out by IES, an external bench-marking organisation.
- 5.3 The benchmarking showed that the Board Chair's pay at £400 per day was £100 short of the £500 median rate for a similar organisation. The rate for Non-Executives of £375 was £25 short of the median rate of £400.
- 5.4 The Board took the decision that its remuneration rates should remain the same as it was felt that owing to the state of the economy brought on by COVID-19, it was not the right time to increase non-Executive pay, even if an increased rate was justifiable. The Board agreed that this decision should be reviewed in November 2020 when there might be a better understanding of the economy and the profession.
- 5.5 The Remuneration and Appointments Committee (RaAC), at its meeting in July 2020 felt that given the Boards oversight remit that it would favour an annual payment approach especially given members continued and ongoing relationship with the organisation.
- 5.6 The Board considered the proposal from the RaAC to move to a fixed annual rate at its meeting in October 2020. At the time, the Board felt that, whilst there were merits to an annual payment system, it was difficult to predict actual time commitments owing to the newly constituted Board not starting until March 2019, new Committee arrangements being put in place, and the different ways of working during COVID and in the wake of the former Board Chair's departure.
- 5.7 In both 2019 and 2020 claiming patterns were impacted by changes within the Board and therefore making year on year comparisons complicated. Therefore, the workings have been based on the meeting scheduled agreed for 2020 plus time for performance reviews, personal development and various other stakeholder meetings.

6. Proposal

- 6.1 Having looked at other regulators, there is huge variation in the time commitment and in the rates of pay. Therefore, the executive have focused on the needs and commitment required of Board members at ARB to fulfil their role.
- 6.2 **Board Chair**
The Board Chair role was originally advertised at between 20 and 30 days per year and at a daily attendance rate of £400.
- 6.3 Based on an analysis of the work required by the Chair during 2020 and 2021 20-30 days appears an unrealistic assessment of the requirements for the role. The Chair's duties include Board and agenda preparation and attendance at one of each of the committees per year as an observer. In addition, the Chair provides leadership for the

CEO, attends external meetings with our stakeholders and our sponsoring Government department, as well as managing the performance of Board members and Board appointments.

- 6.4 Having reviewed the responsibilities and commitments involved in the Chair's role, 75 days has been deemed as appropriate for the Chair to carry out these duties. This is equivalent to around 6 days per month being spent on Board business.
- 6.5 This equates to an annual honorarium of £30,000 assuming that there is no change to the daily rate of £400. This figure remains competitive in comparison to similar organisations and may need to be reviewed as part of the Board Chair recruitment in 2022.

Board Members

- 6.6 The Board member role was advertised at around 20 days, subject to any Committee appointment/s (more Prescription Committee meetings are held per year than others). The Board member role was advertised at a daily attendance rate of £375. For the purposes of working out an annual payment system, Board members have been split into three categories as outlined below:
- 6.7 **Board members:** As well as attending Board meetings, each Board member would usually sit on one committee or working group, and the majority of committees/groups meet around four times per year.
- The estimated time commitment for Board meetings, workshops and Committee meetings will range from 20 to 22 days per year. This includes an amount of reading time for all meetings. Taking an average, we are proposing an annual honorarium of £8,000 based on the existing daily rate of £375.
- 6.8 **Board members with Chair of Committee responsibilities/Senior Independent Board member (SIBM):** The work, over and above that of non-committee chair/SIBM Board members includes agenda planning, meeting preparation, attendance at various Government Department forums, meetings with external partners such as internal and external audit as well as performance reviews of independent non-executive members of committees.
- The estimated time commitment for this work is around an extra four days per year and so we are proposing an annual honorarium of £9,500 (£1,500 enhancement) based on the existing daily rate of £375.
- 6.9 **Board members serving on the Prescription Committee:** This committee meets eight times per year, (other committees meet four times per year). There is also a significant amount of reading involved in the role.
- The estimated time commitment for this work is around an extra four days per year and so we are proposing an annual honorarium of £9,500 (£1,500 enhancement) based on the existing daily rate of £375.

7 Resource Implications

- 7.1 The annual cost of Board remuneration, as set out above, is £117,500 and in line with the budget for 2022. The proposals are costs neutral.

8 Risk Implications

- 8.1 While the current model could be seen as potentially inflationary with limited controls on increasing Board Member costs, the proposed model has different risks including the possibility of Board Members receiving payment despite persistent non-attendance.
- 8.2 To mitigate this risk we would recommend that we look to update the General Rules at the next available opportunity to provide clarity about the controls which should be put in place and any appropriate sanction. There remains the existing control around Board Member appraisal and Chair intervention.
- 8.3 A move to this approach would reduce confusion around what could be claimed in terms of full day meetings, half day meetings and reading and preparation time. It would also reduce the administrative burden in checking and raising queries on amounts claimed for in attendance claims.

9. Communication

2022 is going to be a period of significant change, investment and improvement for ARB, and we are committed to supporting architects, schools of architecture, the public and our many other stakeholders through the major challenges we all expect to face.

Moving to a more simplified approach helps to reduce the administrative burden on the organisation as well as mitigating the risk of incorrect claiming. It supports our commitment to equality, diversity and inclusion by making regular and set payments supports members in financial planning and avoids uncertainty from month to month where meetings are not evenly timed – therefore opening up the pool of appropriately qualified people.

10. Equality and Diversity Implications

Remuneration must be set at an appropriate amount to ensure that all appropriately qualified and diverse candidates that can participate whatever their income or circumstances. Those with caring responsibilities may, for example, face an additional burden in seeking to contribute to ARB's work. These changes should support those wishing to participate as they will receive a set amount each month and be able to plan.

11. Further Actions

Subject to approval by the Board, the move to an annual remuneration amount with equal monthly payments will be implemented from the 1st January 2022.

We will also undertake a review of the other non-executives working for ARB with a view of either moving them on to annual honorarium, consolidated reading/attendance rates and auto payments following meeting attendance.

	ARAC	RaAC	Prescription	Board Days	Appraisal	Board & Comm Meeting Prep	Other	Total	Avg per Month	Daily Rate	Annual Pay	Rounded	Enhancement	Total
Alan Kershaw	1	4	1	12.5	5.5	11	40	75	6	400	30,000	30,000	0	30,000
Cindy Leslie	4			12.5	2	6	0	25	2	375	9,188	8,000	1500	9,500
Derek Bray		4		12.5	2	6	0	25	2	375	9,188	8,000	1500	9,500
Mark Bottomley	4			12.5	0.5	5	2	24	2	375	9,000	8,000	1500	9,500
Tony Crook			8	12.5	0.5	5	0	26	2	375	9,750	8,000	1500	9,500
Will Freeman				12.5	0.5	4	0	17	1	375	6,375	8,000		8,000
Liz Male	4			12.5	0.5	5	0	22	2	375	8,250	8,000		8,000
Elena Marco			8	12.5	0.5	5	0	26	2	375	9,750	8,000	1500	9,500
Stephen McCusker		4		12.5	0.5	5	0	22	2	375	8,250	8,000		8,000
Teri Okoro				12.5	0.5	4	0	17	1	375	6,375	8,000		8,000
Vacant	4			12.5	0.5	5	0	22	2	375	8,250	8,000		8,000
													Total	117,500

Board Member	Year		Notes
	2021 Actual claimed + forecast to year end	2020 Per Accounts	
A Kershaw	29,250	28,026	
C Leslie	4,313	-	Appointed 1/3/2021
D Bray	8,250	14,007	
Mark B	6,563	6,947	
T Crook	8,625	10,324	
W Freeman	13,500	13,716	
L Male	7,875	15,509	
E Marco	9,563	9,425	
S McCusker	5,525	9,716	
T Okoro	3,000	-	Appointed 1/3/2021