

## **Make It York – Pay Remuneration**

### **Purpose of Report**

1. Under its Articles of Association, Make It York Limited (“MIY”) must report and seek permission from the Shareholder Committee on pay increases to senior staff.
2. This report seeks Shareholder Committee approval, following discussion and approval at the MIY board.

### **Recommendations**

3. It is recommended that the Shareholder Committee approve the MIY Board document titled ‘*Pay award proposal for 2022/23 and 2023/24*’ at **Annex 1 (Confidential)** of this report.

The MIY board approved this on 25 April 2023, however under the Articles of Association the Shareholder Committee must also give approval for senior staff paid in excess of £50,000 per annum or increasing the remuneration of any such person in excess of £2,000 per annum.

**Reason:** to ensure the Council is fulfilling its contractual role in relation to Schedule 2 of the Articles of Association.

### **Background**

4. In May 2022, the Council’s Executive agreed to enter into a new 3-year contract with MIY, and agreed that MIY would report to the Shareholder Committee every 6-months. This report is in addition to the normal sequence of reporting to deal with the pay remuneration authorisation required.
5. The MIY Articles of Association set out the terms for staff remuneration. Articles 11, 27 and 29 and Schedule 2 of the Company’s Articles Association state the following:

- a. **Article 27** – Subject to Articles 11, 29 and Schedule 2 below, the Board of Directors are empowered to determine what remuneration shall be paid to the Directors for their services to the Company as Directors and for any other service which they undertake for the Company. A Director's remuneration may:
- i. take any form; and
  - ii. include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that director.
- b. **Article 11** – The City of York Council (CYC), as the sole shareholder may, by a (written) shareholder's resolution, direct the Board of Directors to take, or refrain from taking, specific action, and the Directors shall be bound by any such direction.
- c. **Article 29 and Schedule 2** - The Company (MIY) cannot carry out or decide upon any of the matters listed in Schedule 2 of the Articles of Association, without the prior written consent of CYC (as the sole shareholder). The matters reserved for CYC in Schedule 2 include:
- i. The establishment or amendment of any profit-sharing, option, bonus or other incentive scheme of any nature for Directors, the Managing Director, or Senior Management Team of the Company or the establishment or amendment of such a scheme for other employees other than one which is self-financing or dependent on the annual budget being achieved.
  - ii. Agreeing to remunerate (by payment of fees, the provision of benefits-in-kind or otherwise) any officer of the Company at a rate in excess of £50,000 per annum or increasing the remuneration of any such person by a rate in excess of £2,000 per annum.

- iii. Determining and approving all matters relating to terms and conditions of the service contract for the Managing Director, agree including any remuneration or variation to the remuneration of the Managing Director.
  - iv. Determining and approving any matters relating to terms and conditions of service contracts for the Senior Management Team, including remuneration.
  - v. Approving any early retirements or ill-health retirements.
  - vi. Agreeing any remuneration of any Directors of the Company.
6. This report seeks permission from the Shareholder Committee in relation to the Managing Director and senior staff only pay remuneration proposal. For the avoidance of doubt there is no proposal relating to company directors.

### **Financial**

7. The MIY board on 25 April 2023 have approved a pay deal for staff, subject to Shareholder Committee approval which can be seen in **Annex 1 (Confidential)**.
8. The pay award proposal is to make a 5% back dated pay award for 2022/2023 and a 5% pay award for 2023/2024 for all employees including the Managing Director and senior staff who are paid at a rate more than £50,000 per annum.
9. There are two key points that the MIY board have raised in support of this pay award:
- a. Inflation (up to March 2023) has been 10.7% and no pay award has been made since 2019, except a one off £1,000 cost of living payment during 2022/23; and
  - b. Difficulty in recruiting to roles. For example, four MIY team members have left recently for salaries significantly higher than MIY are able to match or come close to.

10. In terms of affordability, the Council’s contract manager and finance manager receive regular financial updates and understand from MIY financial performance reports in 2022/23 the pay award is affordable at the proposed level.
11. The MIY budget forecast for 2023/24 has been set by the MIY board and the proposed pay award is affordable and allocated in the budget.

**Risk Management**

12. There are risks associated with all budget forecasting, but due diligence has shown MIY have considered the rising costs (including utilities and other services), whilst been realistic with income projections when comparing actual income levels from previous years.

**Implications**

13. HR Implications - Subject to the approval of the pay award, the relevant staff will be informed and back pay will be applied accordingly.
14. Financial - Financial implications are set out in the confidential Annex 1 report
15. There are no additional Legal, equalities, crime and disorder, information technology, property or other implications arising from this report, that are not covered within the main body of the report.

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	<b>Report Approved</b>	✓	<b>Date</b>	09.06.23.
<b>Wards Affected:</b> All				
<b>For further information please contact the author of the report</b>				

**Annexes:** Annex 1 – Make It York Board Report