

UNIVERSITY OF LEICESTER

COUNCIL

19 NOVEMBER 2019

Remuneration Committee Annual Report 2018-2019

Purpose of this report

1. This report outlines the responsibilities of the Remuneration Committee and its key activities and decisions during the year to 31 July 2019, and reflects the reporting guidance provided by the Committee of University Chairs. As a formal sub-committee of the University Council the Remuneration Committee has previously provided annual reports of its activities and decisions to Council, and is now working to develop its remit and to enhance this report in line with the guidance in the *Higher Education Senior Staff Remuneration Code*.

Background

2. The Terms of Reference of the Remuneration Committee were revised in 2018 in light of the Committee of University Chairs *Higher Education Senior Staff Remuneration Code*, published in June 2018. The Terms of Reference are:
 - a. To review and determine the remuneration, benefits and conditions of employment for members of the Executive Board (EB), taking account of affordability, comparative information on the remuneration, benefits and conditions of employment in the University sector and elsewhere as appropriate. Members of the Executive Board for the period covered by this report were:-
 - President and Vice-Chancellor
 - Deputy Vice-Chancellor
 - Registrar and Chief Operating Officer
 - Pro-Vice-Chancellor for Research and Enterprise
 - Pro-Vice-Chancellor for Student Experience
 - Pro-Vice-Chancellors and Heads of College
 - Chief Financial Officer
 - Chief Marketing and Engagement Officer
 - Director of Human Resources
 - b. To review the strategy, policy and parameters for the determination of the remuneration and benefits of senior officers of the University who fall within the remit of the Senior Staff Pay Committee, having particular regard to the University strategy, market position, equality duties and the need for transparency of process.
 - c. To consider recommendations for salaries that result in remuneration that exceeds £150k per annum and to receive the number of staff on salaries in excess of £150k per annum during the previous 12 months.
 - d. To approve any severance or other payments made to members of EB and staff where salaries are in excess of £150k, taking into account the public sector pay cap and the CUC *Higher Education Senior Staff Remuneration Code*.
 - e. To promote the University's responsibilities for equality and diversity by ensuring that relevant issues are given full consideration in all matters relating to the remuneration of all staff falling within the remit of the Remuneration and Senior Staff Pay Committees.

- f. To review the decisions of the Senior Staff Pay Committee, including any discretionary revisions made to the levels of remuneration as a result of retention issues that result in salary levels in excess of £150k, having particular regard to the University strategy, market position, equality duties and the need for transparency of process.
3. The Terms of Reference are reviewed annually and this review is designed to ensure that they remain appropriate and compliant with relevant legislation and guidelines, and to ensure that the focus of the Committee's work has addressed these priorities.

Frequency

4. The Committee meets prior to each Council meeting 5 times per year, and additional virtual meetings are arranged as appropriate.

Membership

5. The membership of the Committee consists of five lay members of Council, and is currently as follows:
 - Bridget Towle, Chair of Council
 - Gary Dixon, Treasurer of Council
 - Martin Hindle, Lay member of Council
 - Andrew Morgan, Lay member of Council
 - Vijay Sharma, Lay member of Council
6. It is the responsibility of Council to ensure that the membership of the Committee has the necessary skills, experience and expertise to meet the Committee's responsibilities.
7. The **Chair of the Remuneration Committee** is the Chair of Council and the Chair of Council hands over the chair to another member of the Remuneration Committee when the remuneration of the President and Vice-Chancellor is being considered. The President and Vice-Chancellor and the Director of Human Resources are not members of the Committee, but will attend as follows:
 - a. The **President and Vice-Chancellor** will attend for agenda items that relate to his role as line manager of the senior post holders, to enable the Committee to ensure full consideration of individual performance and organisational strategy when considering remuneration-related decisions. The President and Vice-Chancellor is not present for any matters that affect his own remuneration.
 - b. The **Director of Human Resources** is an advisor to the Committee, but is not present for any matters that affect her own remuneration. The Committee can, if they so wish, call upon external advisors as appropriate.

Operating Environment 2018/2019

8. The period 2018/2019 saw the University of Leicester face many new challenges that emerged across the sector, including uncertainties about student funding policy, concerns about the sustainability of the Universities Superannuation Scheme (USS), and a lack of clarity surrounding Brexit and immigration policy – all issues of very direct and strategic relevance to Leicester.
9. During this period, the President and Vice-Chancellor, Professor Paul Boyle, resigned from the role and the Pro-Vice-Chancellor, Student Experience, Professor Jon Scott, retired from the University after 37 years. Despite these changes and external uncertainties, the University continued to make progress against its core mission to create knowledge and opportunity through the pursuit of excellence in student education, and globally recognised research. Achievements included the generation of a financial surplus against the poor recruitment round in 2018 which generated a £13.1m deficit against budgeted student fee income; the completion

of the Freeman's Common Deal in July 2019; further development of relationships with local and regional partners, and implementation of the Recovery Plan.

10. In the field of student education, examples of progress included the University receiving a silver rating in the Teaching Excellence Framework; improved NSS scores which resulted in a 27 place improvement from 89th to 62nd and a 2019 portfolio which had nine areas above 90% as compared to just two in 2018.
11. Progress was also made across the University's research and innovation activities, including significant improvement in research award levels topping £73m this year; a successful UKRPIF bid for Science Parks Leicester, the largest grant ever awarded to the University, and further strengthening of the Dalian Leicester Institute.
12. In addition, the systematic and planned approach to international activities led to the University being placed at 112th of the world's top universities in the QS World Rankings for 2019.

Principles and Approach to Senior Remuneration

13. The University of Leicester recognises the guidance set out in the *Higher Education Senior Staff Remuneration Code* published in June 2018 and the Committee seeks to ensure compliance with this *Code*. In exceptional circumstances where compliance cannot be delivered, the Committee commits to providing meaningful explanations for non-compliance along with details of how any alternative arrangements meet the principles of the *Code*.
14. The Remuneration Committee has direct responsibility for determining remuneration-related matters for both the President and Vice-Chancellor and for senior post holders at the University of Leicester. These are executive posts that comprise the University Executive Board and report directly to the President and Vice-Chancellor, Deputy Vice-Chancellor or the Registrar and Chief Operating Officer, and for the period of this report, consisted of the following individuals:
 - President and Vice-Chancellor, Professor Paul Boyle (1 Aug 2018 to 31 March 2019)
 - Deputy Vice-Chancellor, Professor Edmund Burke
 - Registrar and Chief Operating Officer, Mr David Hall
 - Pro-Vice-Chancellors for Research and Enterprise and Student Experience, Professor Iain Gillespie and Professor Jon Scott
 - Acting Pro-Vice-Chancellor for Student Experience, Professor Graham Wynn
 - Pro-Vice-Chancellors and Heads of College, Professor Philip Baker, Professor Paul Monks and Professor Henrietta O'Connor
 - Chief Financial Officer, Mr Martyn Riddleston
 - Chief Marketing and Engagement Officer, Ms Kerry Law
 - Director of Human Resources, Ms Kate Bradley
15. In addition, the Committee receives updates on remuneration-related matters affecting senior members of staff (those at Grade 10 level – Professors and Senior Professional Services Staff) and other groups of staff at the University of Leicester as appropriate. This enables the Committee to fulfil its responsibility for ensuring that the organisation's overall framework for remuneration is proportionate, appropriate, and enables the attraction and retention of talented individuals necessary to ensure the University meets its strategic ambitions.
16. The University of Leicester is a large, complex and high profile institution requiring high performing, experienced leaders to continue its success and meet its strategic ambitions. When considering matters of remuneration, the Committee is required to balance many factors including market rates of compensation, the challenging financial circumstances facing universities, the external perceptions of senior pay, and internal equity factors.

17. To assist in delivering this balance, the Committee considers data from a wide range of sources including, but not limited to, data from relevant HE sector salary surveys, (for both senior staff and President and Vice-Chancellors), benchmark data from external reward consultancies, regional data for comparable positions within relevant NHS and Local Authority organisations, and data available on national pay trends.

Salaries

18. When reviewing salary levels for both the President and Vice-Chancellor and senior post holders, the Committee will be particularly mindful of the salary review principles being applied across the rest of the institution. This will include consideration of the anticipated cost of the nationally negotiated cost of living award, and the average percentage increase for incremental progression across university pay scales. Any additional awards made for exceptional performance are carefully considered against data available for the average percentage cost of performance awards across the University's wider population.
19. Salary determination at individual level will take account of:
 - a. **Individual performance** – in the case of senior post holders, as determined by the President and Vice-Chancellor against individually agreed personal objectives; in the case of the President and Vice-Chancellor, as determined by the Chair of Council in consultation with members of Council, including members of the Remuneration Committee. Completed Performance Development Discussion documents are available to members of the Committee.
 - b. **Organisational performance** – University performance as determined against key internal and external indicators as articulated in the University's strategic KPIs.
 - c. **Relevant market data** on pay levels in comparable roles in comparable organisations.
 - d. **Affordability** – the budget available for increases, in line with the principles articulated above.
 - e. **Retention issues** – at either an individual role level, or across a particular professional or disciplinary field.

Bonuses

20. The University does not formally operate a bonus scheme for senior post holders. In line with the approach taken with the wider University staff population, exceptional performance may result in the payment of a non-consolidated, non-pensionable payment.

Pensions

21. Senior post holders are eligible to participate in a pension fund under the same conditions that apply to all University staff. Following a policy decision taken by the Remuneration Committee in July 2018, it is not University policy to make salary payments in lieu of pension contributions.

Benefits

22. The University does not offer additional benefits such as private health cover, or car payments as a standard part of the remuneration offer. On rare occasions, decisions relating to the need to offer any such benefits are considered on an individual case basis at the time of appointment, and are only made if it is considered necessary to secure the appointment of the University's preferred candidate. Examples may include a contribution towards the cost of rented accommodation during a period of transition to the University.

Consultancy and External Income

23. The University operates a Consultancy Policy that applies equally to all staff. All senior post holders are obliged to declare any such income and the Remuneration Committee will review any payments made, and ensures compliance with the Consultancy Policy going forward.

Expenses

24. Senior post holders are required to comply with the University's current policy on Expenses.

Report on meetings held in 2018/2019

25. During 2018/19, the Committee met 11 times throughout the year in order to carry out its responsibilities in a timely manner. This included diarised meetings (5), extraordinary meetings (2) and virtual meetings (4).

Standing Agenda Items

26. The Committee addressed a number of standing agenda items as follows:
 - a. Reviewed its Terms of Reference and updated them to reflect that the role of Chair of the Committee is delegated to another member of the Committee if the Deputy Chair is not present, when the remuneration of the President and Vice-Chancellor is discussed.
 - b. Reviewed and noted the data on recruitment and salary increases involving packages in line with the Terms of Reference.
 - c. Noted that there had been three severance payments made to staff earning in excess of £100,000 since July 2018.
 - d. Received a report on the outcomes of the 2018 salary review process for staff covered by the Senior Staff Pay Committee. Consolidated, performance-related payments had been awarded to 64 individuals (which equates to 24% of the total population of this staff group). The levels of these bonus payments were also reviewed.

New Agenda Items

27. The Committee discussed a number of significant items throughout the year, including the appointment process for the new President and Vice-Chancellor.

Appointment of the New President and Vice-Chancellor

28. Following the resignation of Professor Paul Boyle as President and Vice-Chancellor in March 2019, members of the Remuneration Committee were instrumental in shaping the design of and participating in the appointment process which was followed to select the next President and Vice-Chancellor.

CUC Code

29. The Committee considered the implications of the CUC *Remuneration Code*, both the initial draft document and the final published version, and reviewed the current approach and practice of the Remuneration Committee against the guidance. The Committee supported the *Code* and agreed to work rapidly towards compliance with it. The Committee determined that its initial priorities in this regard would be as follows:
 - a. To increase the level of transparency of the Committee's work wherever possible, subject only to respecting the individual's privacy as regards their personal data.
 - b. To clarify and in some cases adjust the Committee's terms of reference to make it explicit

that the President and Vice-Chancellor is not a member of the Committee, and to ensure that the Chair of the Committee is not the Chair of Council when the remuneration of the President and Vice-Chancellor is discussed.

- c. To define ‘senior post holders’ as all those with executive responsibilities reporting directly to the President and Vice-Chancellor.
- d. To initiate a review of the University’s current position on consultancy and the retention of external income as it relates to the President and Vice-Chancellor and senior post holders.
- e. Work on a senior post holders pay framework continues, and takes account of any matters arising from the *Code* that had not been within the original scope of the work.

Remuneration Matters Relating to Senior Post Holders and President and Vice-Chancellor

30. Given the seniority of the individuals within the coverage of the Remuneration Committee, overall institutional performance is considered to be particularly relevant to the consideration of reward. The Committee were therefore mindful of the progress made by the University during the period 2018/2019.

Senior Post Holders

31. **Salary:** Following input from the President and Vice-Chancellor, the Committee considered the performance of all senior post holders over the previous year. Having given subsequent consideration to the relevant salary data, it was determined that the nationally negotiated pay increase of 2% should be paid to all members of the Executive Board.

President and Vice-Chancellor – Professor Paul Boyle (1 August 2018 to 31 March 2019)

32. a. **Salary:** Having given consideration to all the data, and the President and Vice-Chancellor’s performance, it was agreed that he would receive the nationally agreed pay award of 2% for 2018/19.

| Emoluments of the President and Vice-Chancellor | 2018/19 £000 | 2017/18 £000 |
|--|-----------------|-----------------|
| Salary | 194 | 285 |
| Employer contributions to defined benefit scheme | 4 | 6 |
| Benefits in kind | 5 | 12 |
| Total | 203 | 313 |

- b. **External Income:** The President and Vice-Chancellor held a number of external appointments and in line with the University’s policy declared those for which he received remuneration.
- c. **Expenses:** The President and Vice-Chancellor complied with the University’s Expenses Policy.
- d. **Pay Ratios:** The Office for Students requires universities to publish 2 key ratios to show the relationship of the remuneration of the President and Vice-Chancellor to that of staff within the institution. The methodology (as determined by the Office of Students) requires the University to show the relationship of the remuneration of the President and Vice-Chancellor to that of staff within the institution during the relevant 12 month period. The President and Vice-Chancellor’s basic and total remuneration is compared to the median figures for the staff population, where the median pay is calculated on a full time

equivalent basis for the salaries provided by the University to its staff. The figures are as follows:-

| | 2018/19 UoL | 2017/18 UoL | 2017/18 Peer Mean | 2017/18 Peer Median |
|--------------------------|----------------|----------------|----------------------|------------------------|
| Basic salary ratio | 8.4 | 8.5 | 8.8 | 8.2 |
| Total remuneration ratio | 7.6 | 8.1 | 9.7 | 10.0 |

33. The mean figure of 8.4 compares favourably with the benchmark mean figure of 8.8 given above. This benchmark figure is based upon the multiples from the Wesley Group of Universities.

Acting President and Vice-Chancellor – Professor Edmund Burke (1 April 2019 to 4 November 2019)

34. The Chair of Council provided feedback on the performance of the Acting President and Vice-Chancellor. The Committee also considered the University’s performance, the Acting President and Vice-Chancellor’s performance against his objectives including the development and implementation of the Recovery Plan, and the President and Vice-Chancellor’s remuneration package against comparator data.
35. The Committee concluded that the Acting President and Vice-Chancellor was performing at a high level, and providing leadership to the University during a difficult period, driven by the wide range of external factors impacting the sector.
36. a. **Salary:** Having given consideration to all the data, and the Acting President and Vice-Chancellor’s performance and acting salary, it was agreed that he would receive a non-consolidated bonus payment of £10K, in addition to the nationally agreed pay award of 2%, and that his substantive salary in the Deputy Vice-Chancellor role would remain unchanged from 4 November 2019 when the allowance of £30K paid in respect of his acting up would cease.

| Emoluments of the Acting President and Vice-Chancellor | 2018/19 £000 | 2017/18 £000 |
|--|-----------------|-----------------|
| Salary | 74 | n/a |
| Employer contributions to defined benefit scheme | 2 | n/a |
| Benefits in kind | 0 | n/a |
| Total | 76 | n/a |

- b. **External Income:** The Acting President and Vice-Chancellor holds a number of external appointments and in line with the University’s policy, has declared those for which he receives remuneration.
- c. **Expenses:** The Acting President and Vice-Chancellor complies with the University’s Expenses Policy.
- d. **Pay ratios:** The Office for Students requires universities to publish 2 key ratios to show the relationship of the remuneration of the Acting President and Vice-Chancellor to that of staff within the institution. The methodology (as determined by the Office of Students) requires the University to show the relationship of the remuneration of the Acting President and Vice-Chancellor to that of staff within the institution, and is structured to include not only all employees, but also all other workers and agency staff who have undertaken work at the University during the relevant 12 month period. The Acting President and Vice-Chancellor’s basic and total remuneration, is compared to the median

figures for the staff population, where the median pay is calculated on a full time equivalent basis for the salaries provided by the University to its staff. The figures are as follows:

| | 2018/19 UoL | 2017/18 UoL | 2017/18 Peer Mean | 2017/18 Peer Median |
|--------------------------|----------------|----------------|----------------------|------------------------|
| Basic salary ratio | 6.4 | n/a | 8.8 | 8.2 |
| Total remuneration ratio | 5.6 | n/a | 9.7 | 10.0 |

37. The mean figure of 6.4 above compares favourably with the benchmark figures of 8.8 (mean) and 8.2 (median). However, it is important to note that this is based on an acting salary.

Action required

38. Council is asked to note the contents of this report and to approve it for publication on the University's website.

Gary Dixon
Chair of Council and the Remuneration Committee

Kate Bradley
Director of Human Resources

November 2019