

UNIVERSITY OF LEICESTER

COUNCIL - 25 NOVEMBER 2020

Remuneration Committee Annual Report 2019-2020

1. Purpose of this report

1.1 This report outlines the responsibilities of the Remuneration Committee and its key activities and decisions during the year to 31 July 2020, and reflects the reporting guidance provided by the Committee of University Chairs in the Higher Education Senior Staff Remuneration Code. As a formal sub-committee of the University Council the Remuneration Committee has previously provided annual reports of its activities and decisions to Council.

2. Background

2.1 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.

2.2 The Terms of Reference are also reviewed annually, most recently at the meeting in March 2020, 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. The review in March 2020, clarified that a severance or other payment made to any member of staff with a salary in excess of £100,000 must be approved by Remuneration Committee, and that this will apply regardless of the amount of the payment.

2.3 The current Terms of Reference are:

- a) To develop an overall reward strategy and policy to cover the remuneration, benefits and conditions of employment of the members of the University's Executive Board (EB).
- b) To review and determine the remuneration, benefits and conditions of employment for members of the Executive Board (EB):
 - President and Vice-Chancellor
 - Deputy Vice-Chancellor
 - Chief Operating Officer
 - Registrar and Secretary
 - Pro-Vice-Chancellors for Research and Education
 - Pro-Vice-Chancellors and Heads of College
 - Chief Marketing and Engagement Officer

Taking account of affordability, comparative information on the remuneration, benefits and conditions of employment in the University sector and elsewhere as appropriate.

- c) 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.
- d) 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.

- e) To approve any severance or other payments made to members of EB and staff where salaries are in excess of £100k, taking into account the public sector pay cap and the CUC Higher Education Senior Staff Remuneration Code.
- f) 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.
- g) 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.
- h) To agree an annual framework of work and to review and report on progress through an Annual Remuneration Report and Statement for Council (and the University's Financial Statements) which is transparent and produced in accordance with the requirements of the CUC Code and the Office for Students.
- i) To publish the Annual Remuneration Report on the University's Governance website.

3. Frequency

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

4. Constitution Membership

- 4.1 The membership of the Committee consists of five lay members of Council, and is currently as follows:

- a) The Chair of Council (Chair) (*Mr G Dixon*)
- b) The Treasurer (*Mr I Johnson*)
- c) Three lay members of Council, appointed by the Nominations Committee (*Mr M Hindle, Dr V Sharma, Ms C Thorogood*)
- d) When the President and Vice-Chancellor's salary is being considered, the role of Chair of the Remuneration Committee will transfer to the Treasurer for this item only. In the absence of the Treasurer, the role of Chair will pass to another member of the Committee for this item only.

- 4.2 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.

- 4.3 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.

5. Operating Environment 2019/2020

- 5.1 The period 2019/2020 saw the University of Leicester face many new challenges that emerged across the sector, including uncertainties about the sustainability of the Universities Superannuation Scheme (USS), a lack of clarity surrounding Brexit and immigration policy, and, of course, the COVID-19 pandemic which continues to have a very direct and strategic relevance to Leicester.
- 5.2 During the period covered by this report, there have been significant changes to the senior leadership of the University. Following an extensive recruitment process, Professor Nishan Canagarajah commenced in the role of President and Vice-Chancellor on Monday 4 November 2019. In addition, Martyn Riddleston was appointed to the role of Chief Operating Officer in February 2020, having previously held the role of Chief Finance Officer, Geoff Green was appointed as Registrar and Secretary in February 2020 for a twelve-month period, having previously held the role of Academic Registrar, and Professor Graham Wynn assumed the role of Pro-Vice-Chancellor Education from 1 August 2020 for a period of four years.
- 5.3 The University generated a surplus of £0.6m, excluding pension adjustments, in a year when income fell 5% short of budget (£18.6m) and reduced year on year by £6.6m. There were multiple drivers of the shortfall but the most dominant was associated with the COVID-19 pandemic which led to refunds of student accommodation income, a significant reduction in commercial income, paused property sales and revenue associated with the sale of the medical curriculum not being brought forward as had been anticipated in the budget. In response, the Executive Board implemented a series of expenditure controls to improve financial resilience and ensure only essential expenditure in this context continued. This led to a year on year reduction in staff costs (£2.0m) and other operating costs (£8.2m) largely delivered in the final 4 months of the year.
- 5.4. In the field of student education, major achievements this year included the University's response to the Covid-19 pandemic in continuing the education of our students through the 2019/20 academic year and into 2020/21. The University successfully moved all teaching and assessment online in 2019/20 ensuring and developed the required emergency policies to ensure educational continuity and meet the University's commitment to confer degrees on 17 July 2020. For 2020/21, comprehensive Education Planning Principles were developed that now underpin the University's approach to ignite. NSS 2020 scores were stable against the sector, with an improved position against the Russell Group (11/23 in 2020; 15/23 in 2019) and our top 7 key UCAS competitors (3/7 in 2020; 4/7 in 2019). The university achieved an overall satisfaction score of 82.60% against a benchmark of 83.02% in 2020 vs a score of 83.98% against a benchmark of 84.27% in 2019. In addition, the University's proposal for a new Institute for Inclusivity in HE was fully approved by Senate and Council and the appointment of its inaugural Director is underway.
- 5.5. The year had significant research awards totalling £77m which is the highest year on record and represents successes across the institution; Leicester playing a leading role in research on COVID with almost £11m of research funding in a portfolio of projects to investigate the long-term health impacts of coronavirus on hospitalised patients and the risks of COVID-19 to BAME patients and healthcare workers; successful development of Space Park Leicester.
- 5.6. In addition, the systematic and planned approach to international activities led to the University being placed 242nd in the world, or 31st in the UK, in the 2021 QS World University Rankings. The University's position in the 2020 THE World University Rankings is 166th in the world, or

24th in the UK. Also notable in terms of rankings, is that the University was ranked 5th in the UK and 20th in the world for Clinical Medicine according to the Academic Ranking of World Universities 2020 (also known as Shanghai Ranking).

6. Principles and Approach to Senior Remuneration

6.1 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.

6.2 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.

6.3 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.

6.4 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 Secretary and the Chief Operating Officer, and for the period of this report, consisted of the following individuals:

- Acting President and Vice-Chancellor, Professor Edmund Burke (1 April 2019 to 3 November 2019)
- President and Vice-Chancellor, Professor Nishan Canagarajah (4 November 2019 onwards)
- Deputy Vice-Chancellor, Professor Edmund Burke (4 November 2019 onwards)
- Registrar and Chief Operating Officer, Mr David Hall (left the University February 2020)
- Chief Operating Officer, Mr Martyn Riddleston (1 February 2020 onwards). Previously held the role of Chief Finance Officer
- Registrar and Secretary, Mr Geoff Green (1 February 2020 onwards).
- Pro-Vice-Chancellor for Research and Enterprise, Professor Iain Gillespie
- Acting Pro-Vice-Chancellor for Student Experience, Professor Graham Wynn (to 31 July 2020)
- Pro-Vice-Chancellor Education, Professor Graham Wynn (from 1 August 2020)
- Pro-Vice-Chancellors and Heads of College, Professor Philip Baker, Professor Paul Monks and Professor Henrietta O'Connor
- Chief Marketing and Engagement Officer, Ms Kerry Law
- Director of Human Resources, Ms Kate Bradley (left the University 30 April 2020)

6.5 The Senior Staff Pay Committee which considers remuneration and bonus awards (for those at Grade 10 level – Professors and Senior Professional Services Staff) did not take place for the year 2019/20 due to the financial challenges facing the University and HEI sector. The Remuneration Committee, however, usually receives updates on remuneration-related matters affecting senior members of 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.

7. Remuneration and Salaries

- 7.1 Following input from the President and Vice-Chancellor, the Committee considered the performance of all senior post holders for the academic year 2019/2020. Having given subsequent consideration to the relevant salary data, it was determined that the nationally negotiated pay increase of 1.8% should be paid to all members of the Executive Board.
- 7.2 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.
- 7.3 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.
- 7.4 Bonuses - 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.
- 7.5 Pensions - Senior post holders are eligible to participate in a pension fund under the same conditions that apply to all University staff.
- 7.6 Benefits - 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.
- 7.7 Consultancy and External Income - 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 ([here](#)) going forward. This policy is currently under review.

7.8 Expenses - Senior post holders are required to comply with the University's current policy on expenses ([here](#)).

8. Report on meetings held in 2019/2020

8.1 During 2019/2020, the Committee met 4 times throughout the year in order to carry out its responsibilities in a timely manner. This included diarised meetings (3), extraordinary meetings (1) and one virtual decision (1).

8.2 Standing Agenda Items

8.2.1 The Committee addressed a number of standing agenda items as follows:

- a. Reviewed its Terms of Reference and updated them
- b. Reviewed and noted the data on recruitment and salary increases involving packages in line with the Terms of Reference.
- c. Received a report on the outcomes of the 2018/2019 salary review process for staff covered by the Senior Staff Pay Committee.

8.3 New Agenda Items

8.3.1 The Committee discussed a number of significant items throughout the year, including the conclusion of the appointment process for the new President and Vice-Chancellor. In addition, following consideration by the Remuneration Committee meetings in November 2019 and July 2020, it was decided that the current University policy should remain that no salary payments in lieu of pension contributions should be made. In addition at the July 2020 meeting, it was noted that there would be no pay awards (2020/2021) or non-consolidated payment awards (2019/2020) for members of the Executive Board.

9. Remuneration Matters Relating to the President and Vice-Chancellor

9.1 Acting President and Vice-Chancellor – Professor Edmund Burke (1 April 2019 to 3 November 2019)

- a. Salary: Having given consideration to all the data, and the Acting President and Vice-Chancellor's performance, it was agreed that he would receive the nationally agreed pay 2019/20 award of 1.8% for this period.

Emoluments of the Acting President and Vice-Chancellor	2019/20 £000	2018/19 £000
Salary	57	74
Employer contributions to defined benefit scheme	1	2
Benefits in kind	0	0
Non-Consolidated Performance Payment	10	0
Total	68	76

- b. External Income: The Acting President and Vice-Chancellor held a number of external appointments and in line with the University's Register of Interests Policy <https://le.ac.uk/about/governance-and-management/governance/council/information>. The Acting President and Vice-Chancellor declared those for which he received remuneration.
- c. Expenses: The Acting President and Vice-Chancellor complied with the University's Expenses Policy [here](#).

- 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 President and Vice-Chancellor's basic and total remuneration is therefore 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:-

	2019/20 UoL	2018/19 UoL	2018/19 Peer Mean
Basic salary ratio	6.1	6.4	8.9
Total remuneration ratio	6.2	5.6	9.2

The basic salary ratio of 6.1 compares favourably with the benchmark mean figure of 8.9 given above. The benchmark figure is derived from the pay multiples reported by the Wesley Group of Universities.

9.2 President and Vice-Chancellor – Professor Nishan Canagarajah (From 4 November 2019)

- a. Salary: Following consideration of appropriate benchmarking data, the Remuneration Committee agreed the salary of the newly appointed President and Vice-Chancellor as £250k per annum.

Emoluments of the President and Vice-Chancellor	2019/20 £000	2018/19 £000
Salary	187	n/a
Employer contributions to defined benefit scheme	39	n/a
Benefits in kind	3	n/a
Non-Consolidated Performance Payment	-	n/a
Total	229	n/a

- b. External Income: The President and Vice-Chancellor held a number of external appointments and in line with the University's Register of Interests Policy <https://le.ac.uk/about/governance-and-management/governance/council/information>. The President and Vice-Chancellor declared those for which he received remuneration.
- c. Expenses: The President and Vice-Chancellor complied with the University's Expenses Policy [here](#).
- 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 President and Vice-Chancellor's basic and total remuneration is therefore 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:-

	2019/20 UoL	2018/19 UoL	2018/19 Peer Mean
Basic salary ratio	7.0	-	8.9
Total remuneration ratio	7.3	-	9.2

The basic salary ratio of 7.0 compares favourably with the 2018/19 benchmark mean figure of 8.9 given above. As above in 9.1, the benchmark figure is derived from the pay multiples reported by the Wesley Group of Universities.

10. Action required

- 10.1 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 Remuneration Committee
Emma Stevens, Interim Director of Human Resources
November 2020