

REPORT FROM THE CHAIR OF REMUNERATION COMMITTEE

The Remuneration Committee is responsible for determining the Reward Strategy of the University and for setting the remuneration of the senior managers of the University including the Vice-Chancellor, the Registrar and Secretary and the other members of the Vice-Chancellor's Executive Group (VCEG) within the parameters of the Reward Strategy. It also reviews the decisions taken by the Professorial and Senior Salaries Committee on the remuneration of Professors and senior staff within Professional Services. The Committee is also responsible for decisions in relation to the Executive Performance Reward Scheme.

This year there has been elevated interest by stakeholders, regulators and the Government regarding remuneration of University leaders and Vice-Chancellors in particular. Concerns have been raised about the levels of pay, value for money and transparency. The Committee has already taken steps to improve transparency and accountability through the provision of additional information in its report in the annual Financial Statement and an annual presentation and discussion to independent members of Council. In view of the heightened sensitivity in the external environment, the Committee has resolved to increase further the information which it reports about the University's remuneration policies and approach toward senior managers' reward.

Reward Strategy

The Committee is concerned with the full spectrum of senior employment issues, including recruitment; promoting and retaining the highest quality academic and Professional Services leaders; setting performance targets and incentives for these leaders to develop the continued success of the University; and monitoring the outcomes and the way in which they are achieved. The University's Reward Strategy is designed to motivate our key talent to achieve the University's strategic objectives, to deliver an outstanding experience for our students, to drive forward our internationally focused research and to lead and inspire our academic and Professional Services employees.

The Reward Strategy sets out the following overarching principles which guide the decisions taken by the Committee on executive reward:

- reward excellence and competency;
- be more transparent about the total reward package and how reward is determined;
- apply a consistent framework to reward which recognises different staff categories;

- further reinforce the embedding of equality in our approach towards reward;
- promote the total reward package (financial and non-financial);
- develop clear initiatives which facilitate career and reward progression;
- focus reward on positive stewardship of the University and legacy;
- clearly contribute to key University strategies.

Executive Performance Reward Scheme

Decisions on the base salary of members of VCEG are informed by market data, institutional and personal performance and affordability. The Committee's aim is to pay a competitive salary but a significant part of this is dependent upon performance. (Members of VCEG do not receive general increases agreed annually at national level in the Joint National Committee for Higher Education Staff.)

The Executive Performance Reward Scheme recognises both institutional performance and personal performance. Under the Executive Performance Reward Scheme members of VCEG are eligible for a performance related payment of up to 20% each year.

To recognise institutional performance – since all senior managers have a shared responsibility in the success of the University – half of the potential performance related payment is subject to the University achieving a range of institutional targets.

The other half is subject to the achievement of personal performance objectives, including *how* these are achieved, as well as *what* is achieved.

In 2014, as part of the new Reward Strategy, the Committee introduced an additional performance-related reward arrangement for members of VCEG, to recognise their contribution to the long-term success and sustainability of the institution, complementing the existing annual performance reward arrangements. The Committee agreed long-term performance targets for the three year period 2014 – 2017.

Membership and Meetings

The Committee is chaired by the Pro-Chancellor (Finance). In 2016/17, the Chair of Council, three other independent members of Council, the Vice-Chancellor and the Provost were also members of the Committee (Note: as of September 2017, the Vice-Chancellor and Provost are no longer members of the Committee). No member of staff is present for the discussion of their own remuneration.

The Committee met four times during 2016/17. The independent members and their attendance at meetings were as follows:

	Eligible to Attend	Actually attended
Richard Hughes , Chair (until July 2017) independent member of Council	3	3
Richard Atkins , Chair (from July 2017) independent member of Council	4	3
Sarah Turvill , independent member and Chair of Council	4	4
Sarah Buck , independent member of Council	4	4
Judy Hargadon , independent member of Council	4	3
Kiron Farooki (from Sept 2017), independent member of Council	1	1

September 2016

At the beginning of the year, the Committee reviewed and approved the institutional and personal targets for 2016/7.

December 2016

The Committee reviewed the University's policy on the pensions arrangements for staff who have reached the Lifetime Allowance, continuing discussions from earlier meetings. The Committee agreed new arrangements to pay an allowance in lieu of employer pension contributions (which would be cost neutral to the University) where an employee chooses to opt out of the pension scheme, after taking independent financial advice, because they had reached the Lifetime Allowance. The Committee also reviewed the decisions taken by the Professorial and Senior Salaries Committee, taking a particular interest in equality of pay between male and female Professors.

July 2017

The Committee reviewed the base salaries of members of the Vice-Chancellor's Executive Group, taking account of market data, affordability and performance.

September 2017

The Committee reviewed the achievement of the institutional targets and personal objectives for members of the Vice-Chancellor's Executive Group which had been agreed for 2016/17. Taking account of these assessments, the Committee made decisions on the percentage of performance related reward which should be paid under the Executive Performance Reward Scheme to recognise the achievement of these institutional and personal objectives. The Committee also reviewed the achievement of the long-term performance targets for the three year period 2014 – 2017 and agreed what proportion should be paid.

To improve accountability, governance and transparency of its work the Committee reported in detail to Council at its meeting in October 2016.

Summary of key decisions 2016/7

- Payments under the Executive Performance Reward Scheme in respect of institutional and personal performance in 2016/7:
 - o 6% for the achievement of institutional objectives
 - o average of 8.8% for the achievement of personal objectives
- Payment for the achievement of the long-term performance targets for the three year period 2014 – 2017. The Committee agreed to pay 5% rather than 10%.
- Setting of personal and institutional targets for 2017/18
- Revised arrangements for staff (including the Vice-Chancellor) who decide to opt out of the pension scheme (after taking independent financial advice) because they have reached the Lifetime Allowance.
- Agreement that members of VCEG should normally only be considered for pay progression every three years. Only one increase was agreed for 2017.

Remuneration of the Vice-Chancellor and Chief Executive

Details of the remuneration of the Vice-Chancellor is summarised in Note 7 of the Financial Statements. The remuneration received by the Vice-Chancellor in 2016/17 included a base salary of £315,000 and a performance award (under the Executive Performance Reward Scheme) of 15% (rather than 20%) in respect of institutional and personal performance in respect of 2016/17.

The Vice-Chancellor was eligible to receive a payment of £46,000 for the achievement of the long-term performance targets for the three year period 2014 – 2017. The Vice-Chancellor decided to waive this payment.

During the year, the Vice-Chancellor accrued 40 years of pensionable service in USS and, after taking independent financial advice, chose to cease making contributions. The University has agreed to pay the Vice-Chancellor an allowance in lieu of employer pension contributions. The University requires the Vice-Chancellor to occupy accommodation on the University campus. Since this accommodation is provided for the better performance of his duties, this is not treated as a benefit in kind.

The Vice-Chancellor's contract also includes performance-related rewards which will only be paid, at the discretion of the Committee, if the Vice-Chancellor achieves long-term performance targets and remains in post until the expiry of this contract in August 2020.

Remuneration of other Senior Managers

Details of the total cost of Key Management Personnel (members of the Vice-Chancellor's Executive Group) in 2016/17 is summarised in note 7 of the Financial Statement.

The total remuneration of key management personnel for the year ended 31 July 2017 (15 posts) was £3,615k. This figure includes payments made in respect of the long-term performance targets for the three year period 2014 – 2017.

73% of the total cost of Key Management Personnel relates to the reward of academic managers (ie the Vice-Chancellor, Provost, Deputy Vice-Chancellors and Pro-Vice-Chancellors) and 27% relates to the reward of Professional Services managers (ie the Registrar and Secretary, the Deputy Registrar and Director of People Services and Global Partnerships, the Chief Financial Officer and the Director of Communications and Corporate Affairs.)

Equality Issues

In 2016/17, there were 15 members of the Vice-Chancellor's Executive Group, of whom four (27%) were women.

The mean base salary of female members of VCEG is 0.8% higher than the mean base salary of male members, excluding the Vice-Chancellor.

Richard Atkins

Chair of the Remuneration Committee

