

## Remuneration Committee Annual Report 2017-18

### A. Introduction

1. The Remuneration Committee is a formal sub-committee of the University Council. This report outlines the responsibilities of the Committee, and its key activities and decisions during the year to 31 July 2018, and reflects new guidance provided by the Committee of University Chairs. 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.

#### *Terms of reference*

- a) In the light of comparative information on any salaries and other benefits and conditions of service in the sector, to review annually and to determine the remuneration of the Vice-Chancellor and all Executive direct reports to the Vice-Chancellor.
  - b) To receive appropriate information on additional external income accruing to the Vice-Chancellor and all Executive direct reports to the Vice-Chancellor, and to consider the appropriateness of the policy on external income.
  - c) To set the reward framework for senior post holders and to receive a report from the Professorial and Senior Staff Salary Review Committee.
  - d) At the March meeting, to note annually any salary increases which take a member of staff's total remuneration package above £100,000, whether as an explicit retention decision or otherwise.
  - e) At the March meeting, to note annually recruitment involving total remuneration packages above £100,000.
  - f) Taking into account both the University's interests and the public interest, to advise the Council on any proposed severance settlement for the Vice-Chancellor; to approve any proposed severance settlements for other members of the University Executive Group; and to note severance settlements for other members of staff whose total remuneration package is over £100,000.
  - g) To receive an annual update on the Gender Pay Gap.
  - h) To report annually to the Council<sup>1</sup>.
  - i) To review its terms of reference annually.
2. The annual review of the Terms of Reference 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*

3. The Committee meets at least twice per year, but will arrange for additional meetings as appropriate.

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<sup>1</sup> The annual report will comply with the requirements of the Office for Students accounts direction.

### *Membership*

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

Chair of Remuneration Committee – Quentin Woodley

Pro-Chancellor – David Gray

Lay nominees of Council – Ed Anderson, Caroline Johnstone and Amanda Mellor

It is the responsibility of Council to ensure that the membership of the Committee has the necessary skills, experience and support to meet the Committee's responsibilities.

The **Chair of the Remuneration Committee** is an independent member of the Council other than the Chair of Council. The Vice-Chancellor and the Director of Human Resources are not members of the Committee, but will attend as follows:

The **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 Vice-Chancellor is not present for any matters that affect his own remuneration.

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.

## **B. Operating Environment 2017/18**

5. The period 2017/18 saw the University of Leeds 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 Leeds. Despite these pressures 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.
6. In the field of student education, examples of progress included the University receiving a Gold rating in the Teaching Excellence Framework, being placed in the top 10 of the Good University Guide and The Guardian University Guide, achieving third place in the Times Higher Education (THE) Student Experience Survey, whilst also maintaining our leading position amongst Russell Group universities in the National Student Survey (NSS).
7. Progress was also made across the University's research and innovation activities. The University received more than a thousand new awards with a value of £175m, a 20% increase over the past 2 years. The University was ranked in the top 3 in the UK for winning research grants to tackle global challenges, with £36m awarded from the Global Challenges Research Fund and the Newton Fund. A Times Higher Education analysis published during the year showed the University of Leeds as having the highest percentage increase in success rate for research council awards amongst top ranked universities.
8. In addition, the systematic and planned approach to international activities led to the University being named one of the world's top 100 universities in the QS World Rankings for 2018, and rose 103 places to 47th in the rankings of the world's most international universities.

### C. Principles and Approach to Senior Remuneration

9. The University of Leeds recognises the value of The Higher Education Senior Staff Remuneration Code 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.
10. The Remuneration Committee has direct responsibility for determining remuneration related matters for both the Vice-Chancellor and for senior post holders at the University of Leeds. These are executive posts that report directly to the Vice-Chancellor, and for the period of this report consist of the following individuals:

Sir Alan Langlands – Vice-Chancellor

Prof Andrew Dougill – Exec Dean Faculty of Earth & Environment

Prof Frank Finlay – Exec Dean Faculty of Arts, Humanities & Cultures

Francesca Fowler – Director of Human Resources

Roger Gair – University Secretary

Prof Jeremy Higham – Exec Dean of Faculty of Education, Social Sciences & Law

Martin Holmes – Marketing Director

Dennis Hopper – Director of Campus Development

Prof Peter Jimack – Exec Dean, Faculty of Engineering

Prof John Ladbury – Exec Dean, Faculty of Biological Sciences

Jane Madeley – Chief Financial Officer

Prof Peter Moizer – Exec Dean – Leeds University Business School

Tim Peakman – Chief Operating Officer

Prof Lisa Roberts – Deputy Vice-Chancellor: Research & Innovation

Prof Stephen Scott – Exec Dean, Faculty of Maths & Physical Sciences

Prof Paul Stewart – Exec Dean, Faculty of Medicine & Health

Prof Tom Ward – Deputy Vice-Chancellor: Student Education

Prof Hai-Sui Yu - Deputy Vice-Chancellor: International

11. In addition, the Committee receives updates on remuneration related matters affecting other groups of staff at the University of Leeds in order to enable it 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 ambition.
12. The University of Leeds 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.
13. To assist in delivering this balance, the Committee consider data from a wide range of sources, including, but not limited to, data from relevant HE sector salary surveys, (for both senior staff 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.

14. **Salaries:** When reviewing salary levels for both the 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.
15. Salary determination at individual level will take account of:
- I. Individual performance – in the case of senior post holders, as determined by the Vice-Chancellor against individually agreed personal objectives; in the case of the Vice-Chancellor, as determined by the Chair of Council in consultation with members of Council, including members of Remuneration Committee.
  - II. Organisational performance – university performance as determined against key internal and external indicators as articulated in the University's strategic KPIs.
  - III. Relevant market data on pay levels in comparable roles in comparable organisations.
  - IV. Affordability – the budget available for increases, in line with the principles articulated above.
  - V. Retention issues – at either an individual role level, or across a particular professional or disciplinary field.
16. **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.
17. **Pension:** 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 May 2014, it is not University policy to make cash payments in lieu of pension contributions.
18. **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.
19. **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 reviews any payments made, and ensures compliance with the Consultancy Policy.
20. **Expenses:** Senior post holders are expected to comply with the University's current policy on Expenses which can be seen [here](#)<sup>2</sup>.

#### D. Report on 2017/18

21. During 2017/18, the Committee met regularly throughout the year in order to carry out its responsibilities in a timely manner.

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<sup>2</sup> <http://www.leeds.ac.uk/finance/policies/expenses/index.htm>

### *Standing Agenda Items*

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

- Reviewed the Terms of Reference and updated them to:
  1. define the phrase 'senior post holders',
  2. to include the setting of the reward framework for senior staff,
  3. and to review the gender pay gap.
- Reviewed and noted the data on recruitment and salary increases involving packages over £100,000.
- Noted that there had been no severance payments made to staff earning in excess of £100,000 since July 2017.
- Received a report on the outcomes of the 2018 salary review process for staff covered by the Professorial and Senior Staff Review Committee. Consolidated, performance related payments had been awarded to 77 individuals (which equates to 13% of the total population of this staff group), and 24 professors were promoted to a higher zone within the professorial pay scale.

### *New Agenda Items*

23. The Committee discussed a number of significant items throughout the year relating to proposals to review the remuneration framework for senior post holders, and to the implications of the CUC Higher Education Senior Staff Remuneration Code and the Office for Students Accounts Direction.

- Senior Post Holders Pay Framework. The Committee received a report from Korn Ferry Hay (external reward consultants) proposing a revised approach to job evaluation and salary scales for senior post holders. This work will continue to be progressed by the Committee and is expected to reach a conclusion during early 2018/19. The resultant framework will be designed to ensure that remuneration packages are market-competitive, proportionate to the size of the role, and allow for the rewarding of strong performance. The framework and associated pay policy will assist the University in ensuring that it is able to attract and retain the appropriate senior level talent needed to ensure the university's success, but that it pays no more than is necessary and defensible in all circumstances.
- CUC Code and Office for Students Accounts Direction. The Committee considered the implications of both documents (in the case of the CUC Code, both the initial draft document, and the resultant final version), and reviewed the current approach and practice of the Remuneration Committee against the finalised guidance. The Committee supports 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:
  - i. 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.
  - ii. To clarify and in some cases adjust the Committees terms of reference to make it explicit that the VC is not a member of the Committee, and to ensure that the Chair of the Committee is not the Chair of Council.
  - iii. To define 'senior post holders' as all those with executive responsibilities reporting directly to the VC.
  - iv. To initiate a review of the University's current position on consultancy and the retention of external income as it relates to the Vice-Chancellor and senior post holders. This is targeted for completion during 2018/19.

- v. To ensure that the work on a senior post holders pay framework continues, and takes account of any matters arising from the Code and/or Accounts Direction that had not been within the original scope of the work.

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

24. Given the seniority of the individuals within the coverage of the Remuneration Committee, overall institutional performance is considered particularly relevant to the consideration of reward. The Committee were therefore mindful of the progress made by the University during the period 2017/18, as articulated in section B above.

**i. Senior Post Holders**

**Salary:** Following input from the 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 all members were remunerated appropriately and that no salary increases would be made beyond that of the nationally negotiated pay increase (which, at the point of meeting, was expected to be 2%).

**Retention of external income:** 7 senior post holders hold external positions or participate in consultancy which generates additional income of greater than £1000 pa. The Committee reviewed the payments and was satisfied that they complied with the University's current policy on such matters.

**ii. Vice-Chancellor**

The Chair of Council provided feedback on the performance of the Vice-Chancellor. This process had involved gathering feedback via individual meetings with the majority of members of the Council, and with the Vice-Chancellor's direct reports. The Committee also considered the University's performance against the declared strategic KPIs, the Vice-Chancellor's performance against his personal objectives, and the Vice-Chancellor's remuneration package against comparator data.

The Committee concluded that the Vice-Chancellor was performing at an extremely high level, and providing outstanding leadership to the university during what is a very difficult period, driven by the wide range of external factors impacting the sector. The Committee was and is concerned that given the size, complexity and strong performance of the University, the Vice-Chancellor's remuneration is low relative to the comparator set, and that the current remuneration level would be unlikely to attract a candidate of such high quality in the future.

**Salary:** Having given consideration to all the data, and the Vice-Chancellor's specific request that he received no increase, the Committee agreed that his salary would remain unchanged. The Committee noted that since the current Vice-Chancellor took up his role in 2013, he had accepted only one salary increase (in 2016) which was in line with the nationally negotiated settlement for all staff for that year.

Emoluments of the Vice-Chancellor	2017/18 £000	2016/17 £000
Salary	281	281
Employer contributions to defined benefit scheme	13	13
Benefits in kind	-	-
<b>Total</b>	<b>294</b>	<b>294</b>

**External income:** Whilst the Vice-Chancellor holds a number of [external appointments](#)<sup>3</sup>, he receives no income from any of these positions.

<sup>3</sup> [http://www.leeds.ac.uk/secretariat/documents/council\\_register\\_of\\_interests\\_2017-18.pdf](http://www.leeds.ac.uk/secretariat/documents/council_register_of_interests_2017-18.pdf)

**Expenses:** The Vice-Chancellor complies with the University's Expenses Policy, and information relating to his latest expenses claims can be found [here](#)<sup>4</sup>.

**Pay ratios:** The Office for Students requires universities to publish 2 key ratios to show the relationship of the remuneration of the 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 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 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:

	Basic salary ratio <sup>5</sup>	Total remuneration ratio <sup>5</sup>
<b>2017/18</b>	<b>10.6</b>	<b>10.4</b>
2016/17	10.8	10.3

25. The sector benchmark is not available at the current time.

26. In the interests of transparency, the University provides two further ratios to show the relationship of the remuneration of the Vice-Chancellor to that of *employees* within the university (a calculation that excludes those individuals who are engaged on worker and/or agency contracts). The figures for employees are as follows:

	Basic salary ratio	Total remuneration ratio
<b>2017/18</b>	<b>8.4</b>	<b>7.6</b>
2016/17	8.5	7.7

Quentin Woodley  
Chair of Remuneration Committee  
November 2018

<sup>4</sup> [https://www.leeds.ac.uk/info/5000/about/585/vice-chancellor\\_expenses\\_2016-17](https://www.leeds.ac.uk/info/5000/about/585/vice-chancellor_expenses_2016-17)

<sup>5</sup> Every effort has been made to report the ratios for all types of staff, including agency and short-term assignments (atypical staff) on an FTE basis, but it has not been possible to fully comply due to some incomplete data for some atypical staff and not therefore being able to calculate accurate FTE information.