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 2019, and reflects guidance provided by the Committee of University Chairs. The Remuneration Committee has previously provided annual reports of its activities and decisions to Council, and continues to work to develop its remit and to enhance this report in line with the guidance in the Higher Education Senior Staff Remuneration Code, and the observations of the Office for Students ‘Compliance with the 2017-18 accounts direction report.

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) 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) 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 Council¹.

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.

¹ 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 for the period of this report was 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 their 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 their own remuneration.

The Director of Human Resources is an advisor to the Committee, but is not present for any matters that affect their own remuneration. The Committee can, if they so wish, call upon external advisors as appropriate.

Operating Environment 2018/19

5. The period 2018/19 saw the University of Leeds face ongoing challenges that continued 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. Following the Gold award under the Teaching Excellence Framework in 2017, the University continues to be ranked highly across more recent external measures, being placed in the top 3 for teaching quality, the top 5 in the Russell Group for student satisfaction, and remains one of the universities most targeted by leading employers.

7. Strong progress continues across the research portfolio, with the University ranked in the top 10 of UK Universities receiving research council funding, with a leading position with the National Environment Research Council, and the Arts and Humanities Research Council. New research awards totalled £196 million in 2018-19, an increase of 48% since 2013-14. The University’s commitment to continued collaboration with business led to the opening of Nexus, a £40million facility to connect businesses to our research and expertise.

8. In 2019, the University maintained its place as a top 100 university in the QS world rankings and has seen a 35% increase in non EU students over the past 2 years to 9000, and more than 50% of research publications are now the result of international collaborations.

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: Faculty of Education, Social Sciences & Law  
Jo 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 recognition 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. This position was reconfirmed following reconsideration by the Committee at its July 2019 meeting in the light of a UCEA sector survey on pension tax policies. It was agreed the matter would be kept under regular review.

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.

Report on 2018/19

21. During 2018/19, the Committee met in September 2018, March 2019 and July 2019, in order to carry out its responsibilities in a timely manner.
Standing Agenda Items

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

- Reviewed the Terms of Reference and updated them to:
  Enable the review and noting of data on recruitment and salary increases involving packages over £100,000, and the payment of any severance payments of over £100,000, to be made at any committee meeting rather than as previously specified, at the March meeting.
- 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 2018.
- Received a report on the outcomes of the 2019 salary review process for staff covered by the Professorial and Senior Staff Review Committee. Consolidated, performance related payments had been awarded to 51 individuals plus 6 ‘out of season’ retention salary increases (which combined equates to 9.5% of the total population of this staff group), and 20 professors (3.6%) were promoted to a higher zone within the professorial pay scale.

New Agenda Items

- The Committee discussed a number of ongoing significant items throughout the year relating to 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. The Committee restated its support for the Code. The Committee reaffirmed its initial priorities in this regard 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 review the University’s current position on consultancy and the retention of external income as it relates to the Vice-Chancellor and senior post holders.
  iii. 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.
  iv. To review a number of contractual elements relating to senior post holders as part of the development of a senior pay policy. This would include consideration of matters relating to external income, pension tax implications, and contractual links to the national pay award.

- PWC, the university’s internal auditors, carried out a desktop audit to consider the university’s compliance with the Committee of University Chairs HE Senior Staff Remuneration Code, and the related Office for Students Accounts Direction. The auditors had found remuneration governance to be of a high standard and the report was circulated to members on completion.

- Senior Post Holders Pay Framework. The Committee were advised that the report received from Korn Ferry Hay (external reward consultants) relating to a revised approach to job evaluation and salary scales for senior post holders was being updated to reflect the impending changes within the University Executive Group and associated organisational structure. This work will be progressed by the Committee and is expected to now reach a conclusion during 2020. The resultant framework is being 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.

- Senior recruitment – The committee was kept up to date on the recruitment to the Executive Dean roles of Leeds University Business School, of the Faculty of Engineering & Physical Sciences and of the Faculty of Arts, Humanities and Cultures. The Committee formally authorised the remuneration packages relating to these appointments and noted that despite the size of the roles and significant market pressures, the resultant salary offers had been kept at a prudent level.

Remuneration Matters Relating to Senior Post Holders and Vice-Chancellor

23. 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 2018/19, 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 of 1.8%.

   **Retention of external income:** 6 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 all the members of the UEG and soundings from members of Council. 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. This data included remuneration packages of Vice-Chancellors across Russell Group Universities of comparable size and complexity, plus roles across both public sector (local authority) and NHS positions.

   Performance (both organisational and individual) was considered across a wide range of objectives including all items in the Strategic Plan Oversight Report, all statutory duties as Accounting Officer, and a range of other objectives including (but not limited to):
   - To ensure a strong student experience, taking account of overall satisfaction (NSS), graduate employment and non-continuation;
   - To achieve operating surpluses in line with FF18;
   - To oversee the implementation of a range of priorities drawn from the Strategic Plan and the delivery plans developed by the DVCs;
   - To maintain and build on active academic, public and private sector partnerships where it is in the interests of the University to do so;
   - To continue to consider succession planning for members of UEG and to share this with the Remuneration Committee;
   - To ensure Council is provided with the information and opportunity to consider the range of issues relating to staffing.
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 expressed concern that given the size, complexity and strong performance of the University, the Vice-Chancellor's remuneration relative to the comparator set, may present challenges when looking to attract a candidate of appropriate 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 again 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

<table>
<thead>
<tr>
<th></th>
<th>2018/19 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>281</td>
<td>281</td>
</tr>
<tr>
<td>Employer contributions to defined benefit scheme</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Benefits in kind</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>294</strong></td>
<td><strong>294</strong></td>
</tr>
</tbody>
</table>

External income: Whilst the Vice-Chancellor holds a number of external appointments, he receives no income from any of these positions.

Expenses: The Vice-Chancellor complies with the University’s Expenses Policy, and information relating to his latest expenses claims can be found here.

Pay ratios: The Office for Students requires universities to publish two key ratios to show the relationship of the remuneration of the Vice-Chancellor to that of staff within the institution. The methodology adopted is in line with paragraph 12 of the Office of Students Accounts Direction issued October 2019. The University chose to adopt these revised guidelines early and as such has restated previous year’s ratios to enable comparison. The figures are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Basic salary ratio</th>
<th>Total remuneration ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018/19</td>
<td>10.4</td>
<td>9.9</td>
</tr>
<tr>
<td>2017/18</td>
<td>10.6</td>
<td>9.9</td>
</tr>
</tbody>
</table>

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

25. 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:

<table>
<thead>
<tr>
<th></th>
<th>Basic salary ratio</th>
<th>Total remuneration ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018/19</td>
<td>8.2</td>
<td>7.4</td>
</tr>
<tr>
<td>2017/18</td>
<td>8.4</td>
<td>7.6</td>
</tr>
</tbody>
</table>

In line with the Accounting Standards requirements, the University publishes basic salary of other higher paid staff (calculated on a full time basis). The data for 2018/19 is prepared in

2 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.
accordance with paragraph 12 of the Office for Students Accounts Direction issued October 2019, adopting the provisions within paragraph 6. The requirements have been updated to include both basic salary and market supplements.

<table>
<thead>
<tr>
<th>Basic salary of other higher paid staff calculated on a full-time equivalent basis</th>
<th>2018/19 Number</th>
<th>Restated 2017/18 Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>£100,000 - £104,999</td>
<td>23</td>
<td>44</td>
</tr>
<tr>
<td>£105,000 - £109,999</td>
<td>53</td>
<td>21</td>
</tr>
<tr>
<td>£110,000 - £114,999</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>£115,000 - £119,999</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>£120,000 - £124,999</td>
<td>16</td>
<td>16</td>
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<tr>
<td>£125,000 - £129,999</td>
<td>10</td>
<td>8</td>
</tr>
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<td>5</td>
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<td>£135,000 - £139,999</td>
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<td>3</td>
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<tr>
<td>£155,000 - £159,999</td>
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<tr>
<td>£165,000 - £169,999</td>
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<td>1</td>
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<td>£175,000 - £179,999</td>
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<td>2</td>
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<td>£180,000 - £184,999</td>
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<td>£185,000 - £189,999</td>
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<td>£190,000 - £194,999</td>
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<td>£205,000 - £209,999</td>
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<td>£210,000 - £214,999</td>
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<td>£215,000 - £219,999</td>
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<tr>
<td>£220,000 - £224,999</td>
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</tr>
<tr>
<td>£225,000 - £229,999</td>
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<td>-</td>
</tr>
<tr>
<td></td>
<td>163</td>
<td>139</td>
</tr>
</tbody>
</table>

Of the roles covered within this table, more than 80% are Professors and Clinical Academics.

David Gray
Pro-Chancellor and member of the Remuneration Committee
March 2020