

University of Southampton Remuneration Committee Annual Report 2021/22

Remuneration Policy

The Remuneration Committee determines the remuneration of the *President and Vice-Chancellor*, plus direct line management reports of the President and Vice-Chancellor holding executive responsibility, and the Executive Director Human Resources. The Committee also has oversight of the remuneration arrangements for other senior members of staff, including members of our professoriate and senior professional services staff.

The full Terms of Reference of the Remuneration Committee are included as Annex 1 to this report, as well as being publicly available [here](#).

Executive Remuneration Principles

In determining the remuneration of the *President and Vice-Chancellor*, those direct line management reports of the President and Vice-Chancellor holding executive responsibility, and Executive Director Human Resources, Remuneration Committee apply the following principles and approaches:

- Remuneration decisions should balance the need to attract, retain, motivate and reward high quality leaders in a competitive international environment with the need to demonstrate sustainable, effective and proportionate use of resources in the context of student, staff and public expectations.
- There should be clear distinction between inflation-related, performance-related and market-related remuneration decisions.

***Note 1:** It is for the Remuneration Committee to determine application of an inflationary uplift, which will normally be made in line with the corresponding UCEA or NHS annual pay uplift applicable to other University employees. Performance-related remuneration decisions recognise sustained performance through salary. The University does not operate a contractual performance-related bonus scheme for members of University Executive Board.*

- Remuneration decisions should be considered with reference to a range of qualitative and quantitative supporting information, including:

- Individual and institutional performance data, including appraisal outcomes and University key performance indicators.

***Note 2:** Senior post holders in the University participate in the same appraisal arrangements as other employees at Level 4 and above, with contribution assessed with reference to agreed expectations and objectives. The University's key performance indicators are themed according to the core principles and goals set out in the [University Strategy](#) and incorporate measures of student satisfaction and career prospects, staff engagement, financial sustainability, research quality, entry standards, international reputation and league table rankings.*

- Market pay benchmarking data, with particular reference to the median remuneration of equivalent or comparable roles within the Russell Group, and especially those in universities of similar size and complexity to Southampton.

***Note 3:** The UCEA Senior Staff Remuneration Survey is the primary source of market pay data used by the Remuneration Committee, with this supplemented by data from other sources, including the annual CUC survey of Vice Chancellors' remuneration, HESA salary data, commercial benchmarking data and specifically-commissioned reviews and reports, where required.*

- Internal pay benchmarking data, with particular reference to the pay settlements, incremental pay progression, pension schemes and other benefits applicable or available to other University of Southampton employees.
- The remuneration levels of senior staff in partner employers, notably the National Health Service.

Note 4: Many of our highest-paid staff are clinicians, paid at salary levels determined by the NHS, not by the University.

- Matters of equality, diversity and inclusion.
- Job evaluation data, particularly in establishing the relative complexity and value of new or revised roles.

Note 5: The University uses the Korn Ferry/Hay job evaluation methodology for roles at all levels.

- Data on the recruitment and retention of senior staff.
- Remuneration decisions should focus on the value delivered by individuals acting within their executive roles. This does not preclude individuals from pursuing activities beyond the scope of their executive role, but any such activities should not be detrimental to the conduct of their executive role, and will not be the focus of executive remuneration decisions.
- In accordance with [the Ordinances of the University](#), some executive roles are appointed on a permanent basis, whilst others are appointed on a time-limited basis. Executive remuneration should be structured accordingly and be time-bound where appropriate.

Other Remuneration and the Reimbursement of Business Expenses

The University's Consultancy Policy, which is publicly available [here](#), sets out the University's policy on the retention of income generated through external engagements. This policy applies to all employees, including those within the remit of the Remuneration Committee.

The University's Expenses and Benefits Manual, which is publicly available [here](#), sets out the University's policy on the reimbursement of business expenses. This policy applies to all employees, including those within the remit of the Remuneration Committee.

The expenses of members of University Executive Board are published on an annual basis and are publicly available [here](#).

Membership, Attendance and Activity of the Remuneration Committee

The members of the Remuneration Committee are all lay members the University's governing body, Council, and are independent of University management. Membership comprises the *Chair of Council*, the *Vice-Chair of Council* (who is the Chair of the Remuneration Committee), the *Treasurer* and two other lay members of Council.

All members of the Remuneration Committee are appointed by the Nominations Committee (whose Terms of Reference are publicly available [here](#)) with a focus on ensuring an appropriate balance of relevant skills, experience and competencies. Where necessary, additional expert advice and guidance is sought to inform the Committee's decision making.

The Committee met three times between 1 August 2021 and 31 July 2022 and corresponded on matters relevant to the Committee on a number of occasions between meetings. Membership and attendance at meetings during this period was as follows:

Committee member	Capacity	Attendance
Judith Macgregor	Vice-Chair of Council (Chair of the Committee since 1 Aug 2018)	4/4
Philip Greenish	Chair of Council	4/4
Stephen Young	Treasurer	4/4
Alison Vincent	Lay member of Council	4/4
Peter Hollins	Lay member of Council	4/4

In accordance with the Terms of Reference of the Remuneration Committee, the Chair of the Committee may invite other attendees as appropriate, subject to the proviso that no attendee is ever present for any agenda item that concerns their own remuneration, or which for some other reason would cause a conflict of interest. Other attendees during the year were as follows:

- The *Executive Director of Human Resources*, who attended all four meetings to provide advice and guidance to the Committee. She was not present for any discussion relating to her own remuneration.
- The *Head of Reward, Recognition and Inclusion*, who attended two meetings as secretary to the Committee, and to provide advice and guidance.
- The *Reward and Recognition Manager*, who attended two meetings as secretary to the Committee.

Meeting 1: 30 September 2021

In accordance with its Terms of Reference, the Committee reviewed and approved a proposed severance case for an employee who was in receipt of a basic salary of £100,000 or more per annum.

Meeting 2: 23 November 2021

The Committee received a report setting out recommendations for the remuneration of Senior Post Holders. These recommendations were presented alongside supporting information including appraisal outcomes, the University's Executive Remuneration Principles, contextual pay information – particularly the pay uplifts applicable to other University employees – and details of the current remuneration and benchmarking position of each of those under consideration. It was noted that no executive pay reviews had taken place in 2020 due to the pandemic.

Following detailed discussion of each proposal, the Committee agreed outcomes which resulted in a mean increase in total pay of 2.49% for Senior Post Holders, inclusive of cost-of-living uplifts, plus 0.28% in non-consolidated awards.

The Committee then reviewed the pay of the President and Vice-Chancellor, taking into consideration the University's executive remuneration principles, a comprehensive range of comparator data and contextual information and the Chair of Council's appraisal summary, to inform discussion and decision-making. The Committee noted that the President and Vice-Chancellor's salary had remained unchanged since taking up post on 1 October 2019.

The Chair of Council provided commentary on the process and content of the President and Vice-Chancellor's appraisal, noting substantially positive outcomes and indicators of Professor Smith's leadership, evidenced both qualitatively and quantitatively.

The Committee discussed, in depth, a fair and appropriate remuneration outcome for the President and Vice-Chancellor, having reference, in particular, to the average pay increases applicable to other University employees during 2021. At the conclusion of these discussions, the Committee agreed that the President and Vice-Chancellor's salary should increase by 1.5% with effect from 1 August 2021, in line with the 2021 national pay settlement (cost-of-living award), and by 1.5% with effect from 1 December 2021 to recognise performance – an uplift commensurate with the average uplift received by employees through incremental pay progression.

In other business, the Committee:

- Agreed interim remuneration for the Vice-President International, pending recruitment and substantive appointment to the role during 2022.
- Agreed remuneration parameters to be applied in the recruitment of the Vice-President (Education and Student Experience) and Vice-President (International). In both cases, parameters were

proposed in accordance with the University's established benchmarking methodology for Vice-President roles, using the most recently available benchmarking data.

- Reviewed the final draft Remuneration Committee Annual Report for 2020/21, prior to its submission to Council for approval and subsequent publication alongside the University's 2020/21 financial statements.
- Received a brief update on the updated CUC Higher Education Senior Staff Remuneration Code, which had been published earlier in the month. A full discussion of the changes was scheduled for the March 2022 meeting of Remuneration Committee.

Meeting 3: 7 March 2022

The Committee received a report outlining changes to The Higher Education Senior Staff Remuneration Code. The changes were relatively minor, and it was agreed that the Committee's existing terms of reference were already sufficient to ensure compliance with the new and updated requirements.

The Committee received, discussed and agreed a report summarising the findings from the September 2021 Remuneration Committee Effectiveness Review. It was agreed that the next review should be scheduled for 2023, following an effectiveness review of Council due in Autumn 2022. The review should again be conducted independently to ensure credibility. On the basis of the report, it was agreed that a process and principles for Committee membership succession planning should be developed for discussion at the July meeting of Remuneration Committee.

In other business, the Committee:

- Received an update on completed and ongoing senior recruitment and the application of remuneration parameters set by the Committee.
- Received an update on the ongoing Level 7 Pay Review, which was due to conclude in April 2022.
- Received a demonstration of the University's Staff Diversity Dashboard, which was due to be made available to all University employees at the end of the month.
- Agreed that the University's second employee recognition payment, due to be paid in April 2022, should include all employees within Remuneration Committee's remit.

Matters considered by the Committee between March and July 2022 meetings

Between meetings, the Committee considered and approved:

- Pay on appointment for the Vice-President (International) vacancy.
- Pay on appointment for the Chief of Staff vacancy.

Meeting 4: 12 July 2022

The Committee received a final report summarising the outcomes of recent senior appointments to the University. This was an updated version of the report originally presented to the Committee in March 2022 – now including the outcomes of the final two senior recruitment campaigns for Vice-President (International) and Chief of Staff, both of which had concluded since the March 2022 meeting. The Committee welcomed the report for the clarity it provided on the final outcome of each recruitment campaign in relation to the remuneration parameters set by the Committee.

The Committee received a report summarising the outcomes of the Level 7 Pay Review, with discussion focusing in particular on the equality, diversity and inclusion outcomes of the process. The Committee noted the safeguards included in the pay review process to ensure that gender and ethnicity pay gaps could not widen at a Faculty or University level (within a certain tolerance) as a consequence of the allocation of pay

rises, and further that specific provision had been added for equality-related pay rises to be put forward, unconstrained by the main pay review budget. The Committee also received an update on planned changes to the appraisal process, including new descriptors.

The Committee received a report setting out a proposed process and principles for Remuneration Committee succession planning. The Committee discussed the proposals in detail and were fundamentally in agreement with what was proposed, but subject to a cautionary note not to inadvertently create a barrier to membership by adopting an overly prescriptive list of qualification requirements and expectations.

The Committee reviewed and noted data showing the latest remuneration of Russell Group Vice-Chancellors, ahead of the next review of the President and Vice-Chancellor's remuneration, due at the November 2022 meeting of Remuneration Committee.

Finally, the Committee received a verbal update from Executive Director of HR on the status of New JNCHEs pay negotiations.

Remuneration of the President and Vice-Chancellor

Professor Mark E Smith CBE took up post as *President and Vice-Chancellor* on 1 October 2019 and was paid a salary of £287,000 from his appointment until 31 July 2021. With effect 1 August 2021, Remuneration Committee approved a 1.5% inflation-related increase to his salary (to £291,305), in line with the 2021/22 UCEA pay settlement, and a further 1.5% performance-related increase to salary (to £295,610), which took effect on 1 December 2021. During the year, Professor Smith also received an additional one-off bonus payment of £600 as paid to all employees in April 2022.

Professor Smith elected to purchase additional holiday during the year, resulting in deductions from his salary of £5,906.

Professor Smith is a member of the Universities Superannuation Scheme (USS) with the USS Voluntary Salary Cap in place, limiting the accrual of pension benefits to part of his salary. He receives a supplement in lieu of pension, which amounted to £20,917 for the period from 1 August 2021 to 31 July 2022, in respect of the non-pensionable part of his salary. The University made the required employer pension contributions during the year, including the required scheme deficit recovery charge.

In common with other senior post holders, the University provides Professor Smith with single membership of a healthcare scheme to help ensure his availability for work, at a cost of £925 for the period from 1 August 2021 to 31 July 2022.

For the better performance of his official duties, and as required by contract, Professor Mark Smith lives at the Vice-Chancellor's official residence in Southampton whilst serving as President and Vice-Chancellor. The residence is used regularly for University meetings and official functions, having been subject to usage restrictions during the COVID-19 pandemic. These living arrangements incurred a taxable benefit of £3,410 and a non-taxable benefit of £3,425 based on market rental prices, during the year. These figures are higher than the previous year, reflecting the increased use of the facility post-COVID.

In the period from 1 August 2021 to 31 July 2022, Professor Smith's total remuneration was 8.2 times higher than the median total remuneration of all University employees (£42,250 per annum) and 9.6 times higher than the median total remuneration of all University staff, including casual workers (£35,982 per annum).

For the same period, Professor Smith's basic salary was 8.1 times higher than the median basic salary of all University employees (£36,396 per annum) and 9.4 times higher than the median basic salary of all University staff, including casual workers (£31,406 per annum).

Remuneration Committee will continue to update Council on a regular basis throughout the year and will publish this Annual Report at the beginning of December each year.

Remuneration Committee

Southampton

21 November 2022

Annex 1: Terms of Reference of Remuneration Committee

Purpose

The purpose of Remuneration Committee ('the Committee') is to ensure the proper remuneration of the University's senior post holders, as well as to have oversight of remuneration arrangements for other senior members of staff.

Definitions

For this purpose, the following definitions are applied: 'Senior post holders' means:

- the President and Vice-Chancellor; and
- direct line management reports of the President and Vice-Chancellor who hold executive responsibility (see **Schedule 1**); and
- the Executive Director of Human Resources

'Other senior members of staff' means (with the exception of those already included within the definition of 'senior post holders'):

- employed Officers of the University, as defined in Section III of the Ordinances of the University; and
- Level 7 employees; and
- any other employees paid a basic salary of £100,000 or more per annum.

Responsibilities of the Committee

The Committee shall:

- i. Determine the remuneration of the President and Vice-Chancellor.
- ii. Determine the policy by which the remuneration of other 'senior post holders' is set.
- iii. Review and approve the remuneration of other 'senior post holders' on receipt of recommendations from the President and Vice-Chancellor or his or her nominee
- iv. Approve the principles by which the remuneration of employed Officers of the University is set.
- v. Approve the principles by which the remuneration of Level 7 employees is set.
- vi. Monitor the remuneration processes applying to employed Officers of the University, Level 7 employees, and any other employees paid a basic salary of £100,000 or more per annum.
- vii. Review and approve severance arrangements for senior post holders, employed Officers of the University and any employees paid a basic salary of £100,000 or more per annum.

In discharging its responsibilities, the Committee will:

- viii. Consider the context in which the University operates.
- ix. Consider senior remuneration in the context of remuneration for all staff.
- x. Consider equality, diversity and inclusion data as relevant to these Terms of Reference.
- xi. Consider benchmarking data as relevant to these Terms of Reference.
- xii. Consider the public interest and the safeguarding of public funds alongside the interests of the institution when considering all forms of payment, reward and severance to the staff within its remit.
- xiii. Provide an annual report to Council on the conduct of its business.
- xiv. Provide a publicly available annual report on the conduct of its business.

Membership

The Committee shall comprise the Chair of Council, the Vice-Chair of Council, the Treasurer and two lay members of Council.

The Vice-Chair of Council will normally be the Chair of the Committee. In the event that the Chair of Council is Chair of the Committee, he or she may not chair any discussion in relation to item i. of these Terms of Reference.

Other attendees

The Committee shall be supported by the Executive Director of Human Resources or his or her nominee who shall provide or arrange for provision of appropriate advice and guidance to the Committee and act as secretary to the Committee.

The Chair of the Committee may invite other attendees as appropriate. No attendee will be present for any agenda item which concerns his or her own remuneration or which for some other reason would cause a conflict of interest.

Meetings and quorum

The Committee shall meet with such frequency and at such times as it may determine. The quorum for meetings of the Committee shall be three, one of whom must be the Chair of Council or the Vice-Chair of Council.

Schedule 1

Direct line management reports of the President and Vice-Chancellor who hold executive responsibility:

Senior Vice-President (Academic)

Vice-President (Education and Student Experience)

Vice-President (Research and Enterprise)

Vice-President (International and Engagement)

Vice-President (Operations)

Chief Operating Officer – ended 31 December 2021, role replaced by Vice-President (Operations)

Dean of the Faculty of Arts and Humanities

Dean of the Faculty of Engineering and Physical Sciences

Dean of the Faculty of Environmental and Life Sciences

Dean of the Faculty of Medicine

Dean of the Faculty of Social Sciences

Executive Director of Finance and Planning