

University of Southampton Remuneration Committee Annual Report 2020/21

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 2020 and 31 July 2021 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)	3/3
Philip Greenish	Chair of Council	3/3
David Price	Treasurer	3/3
Alison Vincent	Lay member of Council	2/3
Peter Hollins	Lay member of Council	3/3

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 three 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 all three meetings as secretary to the Committee, and to provide advice and guidance.
- The *Reward and Recognition Manager*, who observed one meeting.

Meeting 1: 24 November 2020

The Committee would ordinarily have reviewed the remuneration of the *President and Vice-Chancellor* and members of *University Executive Board* during November's meeting, but noted its earlier decision (in July 2020) that no executive pay reviews would take place during the 2020/21 financial year. The Committee nonetheless received and reviewed the information (appraisal outcomes, pay benchmarking data *etc.*) that would normally have accompanied an executive pay review, for their awareness and future reference.

The Committee reviewed and agreed a number of governance changes, including:

- Redefining 'senior post holders' in the Committee's terms of reference for clarity, including adding a schedule to the terms of reference naming the relevant roles.
- Assigning secretarial responsibilities for the Committee to Human Resources.
- Altering the effective dates of pay outcomes determined by Remuneration Committee, so that only inflation-related uplifts are backdated (in line with the equivalent pay awards applicable to other University employees).

The Committee reviewed the final draft Remuneration Committee Annual Report for 2019/20, prior to its submission to Council for approval and subsequent publication alongside the University's 2019/20 financial statements.

Finally, the Committee received an update on senior appointments being progressed at the time.

Matters considered by the Committee between November 2020 and March 2021 meetings

Between meetings, the Committee considered and approved:

- The (unchanged) remuneration on re-appointment of the *Dean of Environmental and Life Sciences* and the *Dean of Arts and Humanities*, agreed by Chair's action on 17 January 2021.
- Remuneration for a part-time *Senior Adviser to the President and Vice-Chancellor*, agreed by correspondence on 18 February 2021.

Meeting 2: 22 March 2021

The Committee received a report proposing remuneration parameters for recruitment to the *Dean of Social Sciences* and *Vice-President (Operations)* vacancies. The parameters for the *Dean of Social Sciences* role were agreed as proposed. The Committee requested revisions to the proposed *Vice-President (Operations)* remuneration parameters, to be discussed and agreed by correspondence, noting the crucial importance of this role and the need to ensure a strong field of candidates.

The Committee received a report summarising the independent review of the Higher Education Senior Staff Remuneration Code, which was conducted by Advance HE and published in February 2021. The Committee noted the expectation that institutions should conduct a self-assessment against the Code in the near future, and duly commissioned a self-assessment and effectiveness review to be conducted during 2021.

Finally, the Committee received a report providing headline and contextual information about the University's gender pay gaps, plus a summary of the University's regular reward processes. The report highlighted the role of vertical and horizontal segregation in causing and sustaining the University's gender pay gaps. There followed a discussion about ensuring that the patterns and themes emerging from gender pay gap reporting are well communicated, and the importance of viewing and addressing gender pay gaps in the context of the University's strategic plan for Equality, Diversity and Inclusion.

The Committee welcomed moves by Human Resources to reinforce regularly with all those in the University involved in recruitment and promotion processes – particularly for senior posts – the importance of factoring-in the principles underlying the University's new EDI strategy to help secure a more consistently diverse intake into these positions.

Matters considered by the Committee between March and July 2021 meetings

Between meetings, the Committee considered and approved:

- Revised remuneration parameters for the appointment of the *Vice-President (Operations)*. These arrangements were agreed via correspondence on 3 June 2021
- Remuneration for the interim *Dean of Environmental and Life Sciences*, agreed by correspondence on 21 June 2021

Meeting 3: 5 July 2021

The Committee received a report setting out proposed new Level 7 Remuneration Principles (to apply to both ERE and MSA Level 7 staff) for approval. The report also provided an outline of proposed changes to the underlying ERE and MSA Level 7 pay review processes for the Committee's awareness and comment, ahead of a consultation exercise with the University Executive on the details of the process.

The proposed principles were fundamentally agreed, subject to a request to look again at some of the specific wording used, to ensure a) clearer definition of staff groups, b) that equality intentions are correctly stated, c) that references to pay trajectories are clearer, and d) that it is clear in what respects the Level 7 Remuneration Principles differ from the Executive Remuneration Principles, and why.

The Committee received a report summarising an all-staff recognition payment due to be made in July 2021 and requesting the Committee's approval to apply these payments to a) Level 7 staff, b) Senior Post Holders and c) and the *President and Vice-Chancellor*. The Committee considered the report and agreed that the recognition payment should be made to all employees, including Level 7 staff, Senior Post Holders and the President and Vice-Chancellor.

The Committee received a short verbal update on the self-assessment and effectiveness review commissioned in March 2021, which was expected to be presented back to the Committee in November 2021.

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 has been paid a salary of £287,000 since his appointment.

In common with other members of the University executive, his pay was not reviewed in 2020/21.

Until 31 March 2020, Professor Smith was a full member of the Universities Superannuation Scheme (USS). From 1 April 2020 he elected to apply the USS Voluntary Salary Cap, limiting the accrual of pension benefits to a part of his salary. From the same date, he began receiving a supplement in lieu of pension of £20,200 per annum, on a full year equivalent basis, in respect of the non-pensionable part of his salary. The University

has made the required employer pension contributions throughout this period, including the required deficit recovery charge from 1 April 2020.

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 2020 to 31 July 2021.

For the better performance of his official duties, and as required by contract, Professor Mark Smith lived at the Vice-Chancellor's official residence in Southampton whilst serving as President and Vice-Chancellor. In normal circumstances, the residence is used regularly for University meetings and official functions.

However, due to COVID-19 working restrictions Professor Smith temporarily vacated the official residence on 27 March 2020 and this arrangement continued for the remainder of the 2019/20 and 2020/21 financial years. These living arrangements incurred a taxable benefit of £494 in 2021 and a non-taxable benefit of £256 based on market rental prices.

In the period from 1 August 2020 to 31 July 2021, Professor Smith's total remuneration was 8.2 times higher than the median total remuneration of all University employees (£40,474 per annum) and 9.3 times higher than the median total remuneration of all University staff, including casual workers (£35,654 per annum).

For the same period, Professor Smith's basic salary was 8.0 times higher than the median basic salary of all University employees (£35,845 per annum) and 9.0 times higher than the median basic salary of all University staff, including casual workers (£31,866 per annum).

In establishing Professor Smith's pay on appointment as President and Vice-Chancellor, Remuneration Committee considered the internal and external context surrounding Vice-Chancellor remuneration, noting regulatory and media scrutiny on the matter, as well as feedback about pay received from staff and students during both formal and informal consultation as part of the recruitment process.

The Committee reviewed detailed benchmarking information, focusing on Russell Group institutions as key comparators and, in particular, the terms and level of remuneration of the heads of 12 institutions (Bristol, Cardiff, Durham, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham, Queen's Belfast, Warwick and York) of broadly similar size and nature to Southampton. Estimated pay ratios (relative to median pay and the lowest-paid), the composition of remuneration, and the implications of pension scheme contribution changes were also considered in establishing remuneration parameters.

All of these factors were carefully balanced in agreeing a level of remuneration commensurate with Professor Smith's extensive academic and leadership experience, his deep understanding of the complex environment of Higher Education, and his track record of success as a Vice-Chancellor, whilst demonstrating a sustainable, effective and proportionate use of resources in the context of student, staff and public expectations.

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
23 November 2021

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)

Vice-President (Research and Enterprise)

Vice-President (Operations)

Chief Operating Officer – ends 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