

# University of Southampton Remuneration Committee Annual Report 2018/19

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## Remuneration Policy

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The Remuneration Committee determines the remuneration of the *President and Vice-Chancellor* and members of the *University Executive Board* (our three Vice-Presidents, five Deans of Faculty, the Chief Operating Officer and the Executive Directors of Finance & Planning and 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](#).

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## Executive Remuneration Principles

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In determining the remuneration of the *President and Vice-Chancellor* and members of *University Executive Board*, the 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 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.

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## Other Remuneration and the Reimbursement of Business Expenses

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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 a quarterly basis and are publicly available [here](#).

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## Membership, Attendance and Activity of the Remuneration Committee

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The members of the Remuneration Committee are all lay members of 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 twice between 1 August 2018 and 31 July 2019 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)	2/2
Philip Greenish	Chair of Council	2/2
David Price	Treasurer	2/2
Guy Berruyer	Lay member of Council (Member of the Committee until 29 Jan 2019)	1/1
Alison Vincent	Lay member of Council (Member of the Committee from 27 Nov 2018)	2/2
Peter Hollins	Lay member of Council (Member of the Committee from 14 May 2019)	1/1

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 *President and Vice-Chancellor* who attended for part of the 28 November 2018 meeting by invitation to summarise appraisal outcomes and make recommendations on the remuneration of members of *University Executive Board*. He was not present for any discussion relating to his own remuneration.
- The *Executive Director of Human Resources*, who attended both 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 and Recognition*, who attended both meetings by invitation to provide advice and guidance to the Committee.
- The *Clerk to the University Council and Senate*, who attended both meetings as secretary of the Committee.

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### Meeting 1: 28 November 2018

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The Committee reviewed the remuneration of members of the *University Executive Board*, taking into account individual appraisal outcomes, University, faculty and departmental performance indicators, market pay benchmarking data, the 2018/19 higher education pay settlement and average pay increases of all other University employees, alongside the recommendations of the *President and Vice-Chancellor*. It was agreed that:

- cost of living uplifts would apply to the salaries of members of the *University Executive Board*, in common with other University employees. In general this meant a 2.00% uplift with effect from 1 August 2018, in line with [New JNCHES negotiations for 2018/19](#), but where pay items were linked to clinical pay scales, this meant a 1.50% uplift with effect from 1 October 2018, mirroring the relevant NHS pay award; and
- the salaries of four of the 11 members of the *University Executive Board* would be increased by between 1.61% and 2.26% in addition to these cost of living uplifts, with effect from 1 August 2018, to align with benchmark pay levels (in one case) or in recognition of sustained performance (in three cases).

The overall average increase in remuneration across all 11 members of *University Executive Board* was 2.58% of which 1.88% was for cost of living awards and 0.70% was for performance or market-related uplifts.

After the *President and Vice-Chancellor* had left the meeting, the Committee reviewed his performance on the basis of an appraisal by the Chair of Council. It was noted that, with Sir Christopher having given notice of retirement, there was no contractual obligation to review his pay. The Committee decided to make no change to his level of remuneration.

The Committee considered and established parameters within which the *Vice-Chancellor Selection Committee* would be allowed to negotiate remuneration for a new *President and Vice-Chancellor*, ahead of selection processes taking place between January and March 2019. In establishing these parameters, consideration was given to the internal and external context surrounding Vice-Chancellor remuneration, noting recent 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.

To inform their decision-making, 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 for total remuneration of increases in USS employer pension contributions were considered in setting negotiation parameters.

Alongside establishing negotiation parameters, Remuneration Committee emphasised the need for transparency from the outset about the remuneration of our new *President and Vice-Chancellor*, once an appointment had been made.

*Professor Mark E. Smith was announced as our new President and Vice-Chancellor on 8 April 2019 and took up post on 1 October 2019. Whilst not within the scope of this year's Remuneration Committee Annual Report, full details of Professor Smith's remuneration package are publicly available [here](#).*

Finally, the Committee considered a series of options for the remuneration of an interim *President and Vice-Chancellor* (who at that point had not yet been selected), electing to reserve a formal decision until a later date once full details of the interim arrangements and responsibilities had been established. These remuneration arrangements were subsequently agreed by the Committee via correspondence in January 2019, and are detailed below, under 'Remuneration of the President and Vice-Chancellor'.

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### **Meeting 2: 10 July 2019**

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The July meeting of Remuneration Committee was primarily a briefing session provided by the *Head of Reward and Recognition*, providing detailed contextual information about the University's remuneration policies and processes to support Committee members in discharging the responsibilities of the Committee.

The Committee also reviewed the latest benchmarking information on Vice-Chancellor remuneration and received an update on the Office for Students accounts direction for 2018/19 financial statements.

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### **Matters considered by the Committee between meetings**

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In January 2019, the Committee approved remuneration arrangements for the interim *President and Vice-Chancellor*, as noted under 'Meeting 1'.

In accordance with its Terms of Reference, in April 2019 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.

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## **Remuneration of the President and Vice-Chancellor**

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This year saw the retirement of the former *President and Vice-Chancellor*, Professor Sir Christopher Snowden. Professor Mark Spearing assumed the role of *President and Vice-Chancellor* on an interim basis from 9 March 2019 and continued in this role until 30 September 2019.

### Professor Sir Christopher Snowden

Sir Christopher retired from the University on 8 March 2019. He was paid a full year equivalent salary of £422,598 until his retirement, with no entitlement to any bonuses. In accordance with standard university policy he received a payment of £8,105 on departure in respect of accrued holiday which he was unable to take before leaving because of his work commitments, and which represented no increase in salary. Sir Christopher's salary increased only once during his tenure, in line with the 1.1% national inflationary uplift in August 2016.

Sir Christopher was not an active member of a pension scheme, and so the University made no contributions to his pension, however he participated in the "Enhanced Opt Out" arrangements offered by USS to provide him with death in service and ill health cover. Sir Christopher paid 2.5% of his own salary to participate in these arrangements and, under the same arrangements, the University was required to make deficit recovery contributions into the overall USS pension fund at a rate of 2.1% of Sir Christopher's salary.

In common with other senior post holders, the University provided Sir Christopher with single membership of a healthcare scheme to help ensure his availability for work, at a cost of £523 from 1 August 2018 to 8 March 2019.

For the better performance of his official duties, and as required by contract, Sir Christopher lived 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 and was not Sir Christopher's family home. Between 1 August 2018 and 8 March 2019, these living arrangements incurred a taxable benefit of £2,117 and a non-taxable benefit of £3,852, based on market rental prices.

The context for the remuneration agreed on Sir Christopher's appointment in 2015 was set out in the Remuneration Committee's [Annual Report for 2017/18](#). During his tenure at Southampton, Sir Christopher delivered marked improvements in our entry tariff, NSS results, and all national and international league table positions, alongside fostering stronger financial management and investment through a £300 million bond for important infrastructure development in the University.

In the period from 1 August 2018 to 8 March 2019, Sir Christopher's annualised total remuneration was 11.2 times higher than the median total remuneration of all University employees (£40,514 per annum) and 13.5 times higher than the median total remuneration of all University staff, including casual workers (£33,548 per annum).

For the same period, Sir Christopher's annualised basic salary was 12.4 times higher than the median basic salary of all University employees (£34,239 per annum) and 14.3 times higher than the median basic salary of all University staff, including casual workers (£29,593 per annum).

#### Professor Mark Spearing

Professor Spearing was appointed as interim *President and Vice-Chancellor* from 9 March 2019, alongside his substantive role as *Vice-President Research and Enterprise*. During this interim appointment, Professor Spearing was paid a full year equivalent salary of £212,018 which included his underlying salary as *Vice-President Research and Enterprise* and an additional allowance to recognise his interim responsibilities as *President and Vice-Chancellor*.

As an existing senior post holder, the University provides Professor Spearing with single membership of a healthcare scheme in his capacity as *Vice-President Research and Enterprise*. This was maintained whilst he served as interim *President and Vice-Chancellor*, at a cost of £353 from 9 March 2019 to 31 July 2019.

In the period from 9 March 2019 to 31 July 2019, Professor Spearing's annualised total remuneration was 6.0 times higher than the median total remuneration of all University employees (£40,514 per annum) and 7.2 times higher than the median total remuneration of all University staff, including casual workers (£33,548 per annum).

For the same period, Professor Spearing's annualised basic salary was 6.2 times higher than the median basic salary of all University employees (£34,239 per annum) and 7.1 times higher than the median basic salary of all University staff, including casual workers (£29,593 per annum).

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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

26 November 2019

## 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
- members of the University Executive Board.

'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 members of University Executive Board is set.
- iii. Review and approve the remuneration of members of University Executive Board 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.

The Clerk to the University Council and Senate or his or her nominee shall act as the secretary of 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.