

University of Southampton Remuneration Committee Annual Report 2019/20

Remuneration Policy

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](#).

Executive Remuneration Principles

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.

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 four times between 1 August 2019 and 31 July 2020 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
David Price	Treasurer	3/4
Alison Vincent	Lay member of Council	3/4
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 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 and Recognition*, who attended all four meetings by invitation to provide advice and guidance to the Committee, including acting as secretary to the Committee on one occasion.
- The *Clerk to the University Council and Senate*, who attended three meetings as secretary of the Committee.
- The University's *Legal Counsel* attended part of one meeting by invitation to provide advice and guidance to the Committee.

Meeting 1: 9 August 2019

The Committee met to consider a proposed severance case falling within its remit.

Under its terms of reference, the Committee is required to:

“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.”

Meeting 2: 26 November 2019

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 2019/20 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 1.80% uplift with effect from 1 August 2019, in line with [New JNCHES negotiations for 2019/20](#), but where pay items were linked to clinical consultant pay scales, this meant a 2.50% uplift with effect from 1 April 2019, mirroring the relevant NHS pay award. No performance-related or market-related pay increases were proposed or awarded.

The overall average increase in remuneration across all 11 members of *University Executive Board* was 1.77%, all of which was linked to the application of cost of living awards.

The Committee also reviewed the remuneration of the *President and Vice-Chancellor*, considering a range of supporting information. In view of the fact the *President and Vice-Chancellor* had only taken up post two months earlier (on 1 October 2019) the Committee agreed that his remuneration should remain unchanged.

The Committee then considered a report proposing the introduction of a Supplement in Lieu of Pension policy for employees affected by the Annual Allowance and/or Lifetime Allowance limits on pension saving. The proposal was set in context of the need not to provide encouragement for employees to opt-out of pension scheme membership; the ongoing (at the time) consultations on offering more flexibility within the NHS pension scheme, and; practice elsewhere in the sector – particularly among other Russell Group universities. It was agreed that the policy be implemented subject to a number of minor wording changes.

Finally, the Committee reviewed the final draft Remuneration Committee Annual Report for 2018/19, prior to its submission to Council for approval and subsequent publication alongside the University's 2018/19 financial statements on 28 November 2019.

Matters considered by the Committee between meetings in January and February 2020

Between meetings, the Committee considered and approved, via correspondence:

- Remuneration parameters for the recruitment of the new Dean of Engineering and Physical Sciences, following Professor Bashir Al-Hashimi's decision to leave the University on 31 March 2020. Recruitment for the role commenced in early January 2020, but did not conclude until November 2020, having been paused due to the coronavirus pandemic.
- Remuneration parameters for the recruitment of two new and two revised senior management roles for which recruitment commenced in mid-February 2020, namely *Senior Vice-President (Academic)*, *Vice-President (International)*, *Vice-President (Operations)* and *Chief of Staff and Associate Vice-President (Strategy)*. Recruitment for these roles was also paused during the year.
- Remuneration arrangements for Professor Phil Nelson as interim Dean of Engineering and Physical Sciences and Professor Jane Falkingham as she took on some of the duties of the Vice-President International portfolio, alongside her duties as Dean of Social Sciences.

Meeting 3: 17 March 2020

The Committee considered proposals for a revised methodology for setting the pay of our Deans, linked to the size of each faculty, adapting arrangements already in place for Heads of School and Heads of Department. It was noted that the proposed approach represented an improvement on existing practice, but could not address all of the often-qualitative variables between faculties. It was agreed that the revised methodology be approved, subject to a review after a year. The changes did not alter the remuneration of any of the Deans in post at the time.

In the interests of promoting good governance, the remainder of the meeting was given over to a self-assessment of the Committee's effectiveness. It was noted that the Committee should ensure that matters of equality and diversity were prominent in its discussions and deliberations, and that Committee members' wide-ranging expertise and experience should be used as effectively as possible, with recourse to external advice and guidance where needed. It was also agreed that the University's Executive Pay Principles should be kept under regular review to ensure they remain fit for purpose.

Meeting 4: 7 July 2020

The Committee approved continued, unchanged remuneration levels for the Interim Chief Operating Officer and Interim Dean of Engineering and Physical Sciences, following extensions to both of these interim appointments in light of delayed recruitment for their successors due to Covid-19.

The Committee also considered a report proposing that no executive pay reviews should take place in 2020, in the wake of the coronavirus crisis, given the expected downturn in revenue expected in 2020/21 and the likely need to make cost savings in all areas of the University's activity to ensure short and medium-term financial sustainability. The proposal was approved.

Remuneration of the President and Vice-Chancellor

Professor Mark E Smith CBE took up post as *President and Vice-Chancellor* on 1 October 2019, replacing Professor Mark Spearing, who had been serving as interim *President and Vice-Chancellor* since the retirement of Professor Sir Christopher Snowden on 9 March 2019.

Professor Mark E Smith CBE

Professor Smith was paid a salary of £287,000, on a full year equivalent basis, during the ten months from 1 October 2019 to 31 July 2020. Until 31 March 2020 he 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 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 made the required employer pension contributions of £37,000 during the year, including the required deficit recovery charge from 1 April 2020.

In common with other senior post holders, the University provided Professor Smith with single membership of a healthcare scheme to help ensure his availability for work, at a cost of £763 for the period from 1 October 2019 to 31 July 2020.

For the better performance of his official duties, and as required by contract, Professor 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. Due to COVID-19 working restrictions, Professor Smith temporarily vacated the official residence on 27 March 2020, with this arrangement continuing for the remainder of the period covered by this report. These living arrangements incurred a taxable benefit of £3,715 from 1 October 2019 to 27 March 2020 and a non-taxable benefit of £4,290, based on market rental prices, over the same period.

In the period from 1 October 2019 to 31 July 2020, Professor Smith's total remuneration was 8.3 times higher than the median total remuneration of all University employees (£42,084 per annum) and 10.2 times higher than the median total remuneration of all University staff, including casual workers (£34,303 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 (£35,513 per annum) and 9.6 times higher than the median basic salary of all University staff, including casual workers (£30,046 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.

Professor Mark Spearing

In this period covered by this report, Professor Spearing served as interim *President and Vice-Chancellor*, alongside his substantive role as *Vice-President Research and Enterprise*, from 1 August 2019 to 30 September 2019. During this time, 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 already provided 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 £149 from 1 August 2019 to 30 September 2019.

In the period from 1 August 2019 to 30 September 2019, Professor Spearing's total remuneration was 5.8 times higher than the median total remuneration of all University employees (£42,084 per annum) and 7.1 times higher than the median total remuneration of all University staff, including casual workers (£34,303 per annum).

For the same period, Professor Spearing's basic salary was 6.0 times higher than the median basic salary of all University employees (£35,513 per annum) and 7.1 times higher than the median basic salary of all University staff, including casual workers (£30,046 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

24 November 2020

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.