

University of Southampton Remuneration Committee Annual Report 2017/18

Introduction

The Remuneration Committee is pleased to present to Council its Annual Report for the year that ended on 31 July 2018. This is the first such report following the publication of the Committee of University Chairs' (CUC) [Higher Education Senior Staff Remuneration Code](#) in June 2018.

This has been a year of considerable and legitimate public interest and scrutiny in the remuneration of senior staff in Universities. As a Committee and as a University, we welcome and are fully supportive of the Code, which we believe will be positive for the sector. Amongst other things, it provides a common platform in reports such as this, to set out the wide range of factors that shape and influence the decision making of higher education remuneration committees.

The report that follows aims to increase the transparency of our work by describing the Committee's approach to the remuneration of our senior staff, setting out the principles and practices we apply in the pursuit of fair and appropriate remuneration in support of the overall objectives of the University as a whole.

About the University

The University of Southampton is a large, multi-faceted organisation that operates in a highly competitive global environment, requiring substantial leadership skill and experience. We are a diverse community of over 25,000 students and 6,000 staff from more than 135 countries. Our annual turnover is over half a billion pounds and [our economic impact](#) was recently assessed at £2.5 billion a year nationally, of which £1.3 billion benefits the regional economy of Southampton and Hampshire.

Since 2015, we have embarked upon a major reform of our education and research structures in pursuit of a decade-long strategy to increase our excellence in teaching, research and student experience. This strategy is borne out of a determined ambition to position Southampton sustainably amongst the highest-performing UK universities, recognising the increasingly competitive and financially challenging landscape of UK higher education, driven by Government reforms and increased student expectations, and emphasised by the uncertainties posed by Brexit and the ongoing review of post-18 education.

The improvements now being led by senior management at Southampton are focused on delivering sustainability and success in the long term. This includes a £600m infrastructure investment plan to transform our students' experience through improved campuses and systems, alongside work to drive excellence, foster international partnerships, embed collegiality and deliver quality in everything we do as a University. These improvements are beginning to feed into our league table rankings, with Southampton returning to the top 100 of the QS World University Rankings this year, alongside similar rises in UK rankings. We were also awarded TEF Silver during the year.

Remuneration Policy

The Remuneration Committee determines the remuneration of the President and Vice-Chancellor and members of the University Executive Board¹ and has oversight of the remuneration arrangements for other senior members of staff, including members of our professoriate and senior professional services staff.

Note 1: In 2017/18 the members of the University Executive Board were our three Vice-Presidents, our eight Deans of Faculty, the Chief Operating Officer and the Executive Directors of Finance & Planning and Human Resources.

We have recently updated the terms of reference of the Remuneration Committee to describe these responsibilities as clearly as possible. 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-related², performance-related³ and market-related remuneration decisions.

Note 2: *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.*

Note 3: *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 outcomes⁴ and University key performance indicators⁵.

Note 4: *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.*

Note 5: *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 data⁶, 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 6: *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 Service⁷.

Note 7: *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 data⁸, particularly in establishing the relative complexity and value of new or revised roles.

Note 8: *The University uses the 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.

Information on the expenses incurred by senior post holders will be published quarterly from January 2019, and will be publicly available on the University's website.

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 amongst Committee members. Where necessary, additional expert advice and guidance is sought to inform the Committee's decision making.

The Committee met four times between 1 August 2017 and 31 July 2018. Membership and attendance at meetings during this period was as follows:

Committee member	Capacity	Attendance
Philip Greenish	Vice-Chair of Council (Chair of the Committee until 31 July 2018)	4/4
Gill Rider	Chair of Council	4/4
David Price	Treasurer	4/4
Guy Berruyer	Lay member of Council	4/4
Dame Judith Macgregor	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 provision 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* attended for part of one 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* attended all four meetings (including the November 2017 meeting as *Interim Executive Director of Human Resources*) to provide advice and guidance to the Committee. She was not present for any discussion relating to her own remuneration.
- The *Reward Manager* attended all four meetings by invitation to provide advice and guidance to the Committee.
- The *Clerk to the University Council and Senate* attended all four meetings as secretary of the Committee.

Meeting 1: 15 November 2017

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 2017/18 higher education pay settlement and average pay increases of all other University employees, along with the recommendations of the *President and Vice-Chancellor*. It was agreed that:

- the 2017 cost of living award of 1.70% would apply to the salaries of members of the *University Executive Board* with effect from 1 August 2017, in common with other University employees;
- the salaries of five of the 14 members of the *University Executive Board* would be increased by between 0.88% and 6.00% with effect from 1 August 2017 to align with benchmark pay levels (three cases) or in recognition of sustained performance (two cases).

The overall average increase in remuneration across all 14 members of *University Executive Board* was 2.97% of which 1.70% was the cost of living award and 1.27% was for performance or market-related uplifts.

After the *President and Vice-Chancellor* had left the meeting, the Committee reviewed his remuneration, giving consideration to institutional performance indicators, progress against appraisal objectives, market pay benchmarking data, the 2017/18 higher education pay settlement and average pay increases for all other University employees. It was decided that the *President and Vice-Chancellor's* remuneration should remain unchanged for 2017/18.

In light of revised *HEFCE* guidance on severance pay and the remuneration of senior staff, published in summer 2017, the Committee considered a number of proposed changes to its Terms of Reference. These proposals were subsequently superseded by *Committee of University Chairs'* consultation on the *Higher Education Senior Staff Remuneration Code*, and *HEFCE's* replacement as regulator by the *Office for Students*.

Meeting 2: 26 March 2018

The Committee reviewed and subsequently approved remuneration principles to apply to *Heads of School*, *Heads of Department* and *Associate Deans* as part of the University's move to a new five-faculty structure from 1 August 2018.

The Committee considered a report on the outcomes of the University's 2017 Equal Pay Review and statutory Gender Pay Gap submission for 2017/18, and made a series of recommendations for the resulting equal pay action plan.

The Committee received a verbal update on the *Committee of University Chairs'* consultation on the *Higher Education Senior Staff Remuneration Code*, which had closed earlier in the month.

Meeting 3: 9 May 2018

The Committee considered a final draft version of the *Committee of University Chairs' Higher Education Senior Staff Remuneration Code*, as well as the new regulatory guidance published by the *Office for Students*. Both documents set out new governance requirements in relation to senior pay, requiring changes to the Committee's processes and Terms of Reference. These changes were agreed in principle, subject to any additional changes required once the *Code* was finalised.

The Committee received an update on pay changes for *Heads of School*, *Heads of Department* and *Associate Deans* in line with the pay principles agreed on 26 March 2018.

Meeting 4: 11 July 2018

The Committee considered final versions of the *Committee of University Chairs' Higher Education Senior Staff Remuneration Code* and the *Office for Students' Accounts Direction for 2017/18*. The Committee noted

changes since the earlier drafts of these documents and, with minor alterations, approved the changes to processes and Terms of Reference agreed in principle on 9 May 2018.

The Committee considered and approved the remuneration of the incoming *Vice President International*, in line with existing remuneration policy for members of the *University Executive Board*.

The Committee considered a report on Vice-Chancellor pay benchmarking in the Russell Group and higher education sector, ahead of the next scheduled review of the *President and Vice Chancellor's* remuneration in November 2018.

The Committee reviewed the outcomes of the 2018 Level 7 pay review processes for professorial and senior professional service staff, with particular focus on the equality outcomes of these reviews.

Remuneration of the President and Vice-Chancellor

Sir Christopher's remuneration reflects the market value and availability of his proven skills, experience and expertise at the time of his appointment.

His appointment as President and Vice-Chancellor marked a step change in the leadership of the University. Leading and managing a multi-million pound university requires an extensive range of academic credentials, business acumen and international experience, together with the gravitas to engage at senior government level, locally, nationally and overseas. Already one of the most experienced Vice-Chancellors in the sector, Sir Christopher brought with him a proven track record of success over more than a decade, delivering exceptional results through a relentless focus on improving the student experience, delivering impactful research and exploiting industry connections to improve graduate employability.

In Sir Christopher, we remain confident that we secured the right leader to commence our transformation and put us on track to achieve our long-term ambitions. We are now seeing clear evidence of the benefits of the sharpened strategy Sir Christopher has introduced at Southampton. We have seen marked improvements in our entry tariff, NSS results and all national and international league table positions, alongside stronger financial management and a £300m public bond secured at a record low interest rate, which is helping to fund changes to our systems and campuses that will contribute to staff and student experience in the long term.

Sir Christopher's core remuneration is structured very simply. At the date of this report, Sir Christopher was paid a salary of £422,598 per annum, with no entitlement to any other payments or bonuses. His salary has increased once since his appointment, in line with the 1.1% national inflationary uplift in August 2016. He is not an active member of a pension scheme, and so the University makes no contributions to his pension.

Sir Christopher participates in the "Enhanced Opt Out" arrangements offered by USS, which provide him with death in service and ill health cover. Since changes introduced by USS in April 2016, this has required the University to make deficit recovery contributions into the overall USS pension fund at a rate of 2.1% of Sir Christopher's salary. These deficit recovery contributions are currently £8,875 per annum. Sir Christopher pays 2.5% of his own salary to participate in the Enhanced Opt Out.

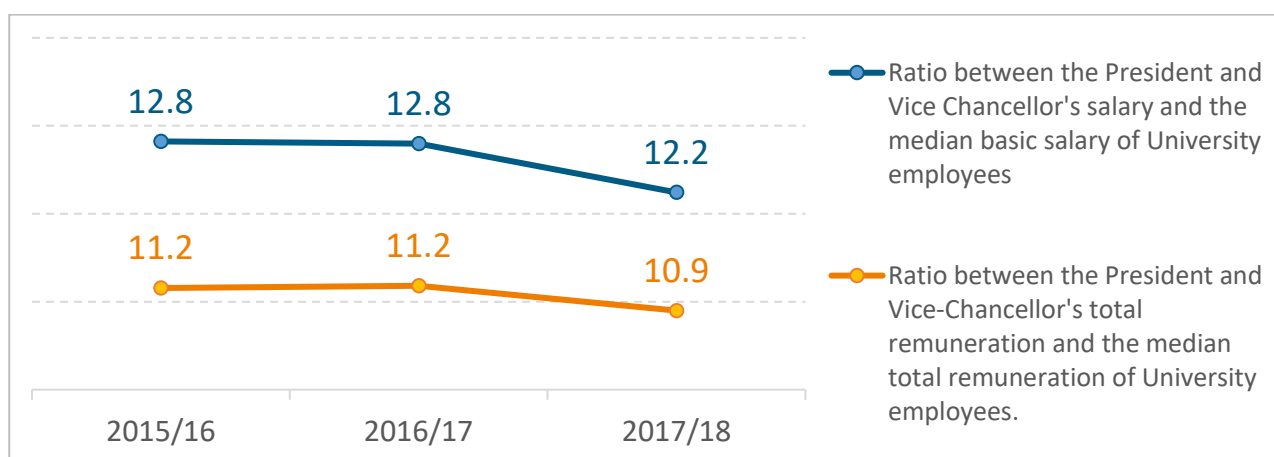
In common with other senior post holders, the University provides Sir Christopher with single membership of a healthcare scheme to help ensure his availability for work, at a cost of £872 in 2018. He is also entitled to biennial health screening but has elected not to take up this option to date.

Sir Christopher is contractually obliged to reside at the Vice-Chancellor's official residence in Southampton for the better performance of his duties. The residence is not Sir Christopher's family home, and is used regularly for University meetings and official functions. The non-taxable benefit of the official residence is £6,390 based on current market rental prices. These living arrangements incurred a taxable benefit of £3,512

in 2018. In 2018 the University paid outstanding tax to HM Revenue & Customs relating to the private use element of the official residence, for the tax years 2015/16 and 2016/17, of £5,146.

In addition to his obligation to comply with the University's Consultancy Policy, the President and Vice-Chancellor is also required to receive permission from the Chair of Council in advance of engaging in external appointments, directorships, consultancies, trusteeships or memberships of committees. Where such work is paid, the President and Vice-Chancellor is entitled to retain the resultant income. In the period covered by this report, no payments were made by the University to Sir Christopher in respect of external appointments. The President and Vice-Chancellor retained £8,000 directly in respect of external appointments.

In the year from 1 August 2017 to 31 July 2018, Sir Christopher's total remuneration was 10.9 times higher than the median total remuneration of all University employees (£39,992 per annum) and 12.2 times higher than the median basic salary of all University employees (£34,520 per annum).



The composition of Sir Christopher's pay, with 97% of his remuneration paid as basic salary, leads to a higher basic salary ratio than would otherwise be the case if he were a member of a pension scheme, or paid specifically in lieu of pension provision. For the majority of our employees, basic salary makes up approximately 82% of remuneration, with employer pension contributions and other remuneration, such as overtime or allowance payments, making up the remaining 18%. These ratios are also influenced by the composition of Southampton's employee workforce, where we continue to directly employ the majority of our catering, cleaning, maintenance and support staff, in contrast with a number of other universities and colleges. The chart above shows a downward trend in both ratios over the course of Sir Christopher's tenure. This is because median salaries and remuneration have advanced at a faster rate than Sir Christopher's remuneration.

Equality, Diversity and Inclusion

The Remuneration Committee actively considers equality, diversity and inclusion data in its decision-making. During the year, this included:

- Considering equal pay as a key factor when reviewing the remuneration of members of University Executive Board.
- Taking care to ensure equity in the pay arrangements for Heads of School, Heads of Department and Associate Deans under the University's new five-faculty structure.
- Reviewing the outcomes of the 2018 Level 7 pay review processes for professorial and senior professional service staff, with particular focus on the equality outcomes of these reviews. The Committee was pleased to note that equal pay gaps by gender are within the thresholds recommended by the Equality and Human Rights Commission in each of our professorial bands, and that the 2018 ERE Level 7 pay review moved these measures in favour of female professors in each of those bands. Beyond this, increasing female representation at Level 7 remains a key target. Over the last decade the number

of women at Level 7 has more than doubled, increasing representation from 17.7% in 2007 to 26.5% in 2017. The Remuneration Committee supports work to ensure this trend continues.

- Reviewing the outcomes of the University's 2017 Equal Pay Review and statutory Gender Pay Gap submission for 2017/18, making a series of recommendations for the resulting equal pay action plan. This included building on our existing *30% Club* commitment by setting a more ambitious long-term target for female representation in senior roles and management positions. At *University Executive Board*, we are proud now to have a 50/50 split of male and female representation.
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The Remuneration Committee will publish its Annual Report at the beginning of December.

Remuneration Committee

Southampton

28 November 2018

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.