



## **ANNUAL REMUNERATION REPORT TO THE BOARD OF GOVERNORS FOR THE FINANCIAL YEAR TO 31 JULY 2020**

### **1. Introduction**

- 1.1 The Remuneration Committee provides an annual remuneration report to the Board of Governors as part of its remit to provide assurance to the Board on the conditions of service and remuneration of the University's Senior Postholders and to comply with 'The Higher Education Senior Staff Remuneration Code June 2018' published by the Committee of University Chairs (CUC).
- 1.2 Senior Postholders are defined as those staff who are remunerated outside of the national Framework Agreement and JNCHES process and who have been designated as Senior Postholders by the Board of Governors. In 2019-20, the Vice-Chancellor, the Pro-Vice-Chancellor Assurance and Director of Finance, the Pro-Vice-Chancellor Student Experience and Resources, the Pro-Vice-Chancellor Academic, and the Clerk to the Board of Governors were designated Senior Postholders.

### **2. Remuneration Committee Terms of Reference and Membership**

- 2.1 The Terms of Reference and the membership for the Remuneration Committee can be found on the University's website. The Chair of the Committee is Mr David Reid, who is an independent Governor.

### **3. Meetings**

- 3.1 The Remuneration Committee met three times in 2019/20, on 13<sup>th</sup> November 2019, 22<sup>nd</sup> January 2020 and 1<sup>st</sup> July 2020. The annual remuneration report was considered at the November meeting, Senior Postholders' salaries were considered at the January meeting and timings of committee meetings and policies and procedures were considered at the July meeting.
- 3.2 The Committee reviews the following Senior Postholder procedures annually: Remuneration; Absence Management; Absence Notification; Disciplinary; Grievance; Performance Capability; and Recruitment and Selection. The Committee reviews the following policies annually: the University's Policy on Income Derived from External Sources, as it applies to Senior Postholders; and the Discretionary Policy on Salary Supplements in Lieu of Pension Contributions for Senior Postholders. Senior Postholder policies are based, as appropriate, on those applicable to other staff.
- 3.3 The Committee reviews the Board of Governors' compliance with the Committee of University's Chairs (CUC) Remuneration Code and the Committee's performance against the relevant sections of the CUC *Higher Education Code of Governance* annually, noting at its January 2020 meeting that the Codes had been applied.

- 3.4 Minutes from the Remuneration Committee, including attendance details, are submitted to the Board of Governors.
- 3.5 Any conflicts of interest are noted at meetings, and executive members are not present when their own remuneration or that of any related party individually are considered.

## 1. Approach to Remuneration

- 1.1 Leeds Arts University is based in a vibrant, modern and fast-growing city with a number of higher education institutions nearby. This environment is competitive for employment and many of the University's employees are academics as well as practicing professionals who work in the creative industries which contributes significantly to the local and national economy.
- 1.2 The approach to remuneration is that employees' contributions are recognised, valued and fairly rewarded. The University is committed to equal pay, as well as to the equitable and fair treatment of all of our employees, based on job size, contribution, capability and merit. For staff on the New JNCHES payspine this is underpinned by the HERA job evaluation scheme.

## 2. Factors Considered for the Senior Postholders

- 2.1 The University recognises the need for highly talented, competent, committed and motivated employees, to lead and deliver its strategic plan; and that employees must be rewarded and recognised competitively, appropriately and fairly.
- 5.2 The Remuneration Framework is determined by the terms of reference of the Remuneration Committee and the Senior Post Holder Remuneration Procedure, which is approved by the Board of Governors.
- 5.3 The factors considered in the Remuneration Procedure include: the performance of the University; the context in which the University is operating; the performance of individual Senior Postholders including any changes in responsibilities; internal pay movement of University employees and external benchmarking of compensation.

## 3. Information used in determining Remuneration for 2019/20

- 6.1 **Performance of the University** - Institutional performance against KPIs is reviewed at each Board of Governors meeting and a full annual review takes place against the strategy. It was noted that the financial performance of the University was good, as was progress against the strategic objectives and KPIs in 2018/19.
- 6.2 **The Context in which the University was operating** - In the wider economic and political context and in the HE sector, there was a good deal of uncertainty. There had been a general inflation of earnings in the economy and sector of around 3.5% over the previous year<sup>1</sup>, about 1.7% higher than price inflation; unemployment was at a low level and unfilled vacancies high indicating a tightening of the labour market. The Committee was also mindful of externally scrutinised metrics such as the ratio of senior salaries to the median

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<sup>1</sup> ONS Labour Market report published on 17<sup>th</sup> December 2019

for the institution and that across the sector basic salaries on a like-for-like basis had risen by 3.6% with an inter-quartile range of 2%-5%.

Pension fund deficits in the sector were likely to require significant increases in employer contribution rates and increases in employee contribution rates were likely to add to pressure for higher wage settlements. These cost and income pressures were likely to increase competition among universities to ensure that student number projections are met, at a time when demographics point to falling numbers.

**6.3 Performance of Senior Postholders** - The Senior Postholders who are members of the Senior Management Team (SMT) had effectively managed the University to maintain a sound financial position and good academic reputation with satisfaction and retention rates comparing very well with the sector in 2018/19.

**6.4 Internal pay movement of University employees** - The Committee noted the outcomes of pay awards for other employees from the national pay negotiations in which the University participated.

The University's workforce received the UCEA agreed pay increase which was an uplift on base pay for all the New JNCHEs single spine points of 1.8% on all spine points above point 17, with 3.65% on the lowest point and consequent extra loading for the first 16 spine points. As part of the negotiations it was agreed that spine point 2 would be deleted by 1st April 2020, and the University ceased using the spine point from 1st August 2019.

In addition, for those staff aligned to the salary scale, incremental progression was available subject to satisfactory performance and criteria determined in the University's Staff Pay Increase Policy. 57% of employees at the University received an increment worth around 2.5% in addition to the UCEA agreed pay uplift. The remainder were within probation periods or at the top of their scale with only 3% of staff eligible for incremental progression not receiving this due to not meeting the progression criteria.

**6.5 External Benchmarking of compensation** - In considering appropriate comparanda for Senior Post-holder remuneration the Committee took note of a report prepared by an independent external consultant tasked with advising on appropriate external comparisons. This report concluded that UCEA and CUC Survey data are the most appropriate sources for salary purposes though some broader data could be relevant for certain posts or aspects thereof and as general contextual background. The Committee also took note of figures presented to it from the UCEA Senior Staff Remuneration Survey 2018 (published March 2019) and provisional figures for the 2019 Survey.

In using UCEA data, the Committee noted that the University is close in income terms to the border between two income bands for which aggregate data are presented. The Committee considered that this issue could be addressed by taking as a point of reference a weighted average of the median points of the two adjacent income bands. Such an average was, in the Committee's view, neither a target to be aimed for nor a rate for the job but simply a consistent reference point against which remuneration, based on the range of other considerations, could be judged. This is a change of approach but was based on the independent external advice. In reaching this determination the Committee noted that the University pays no bonuses or other benefits apart from standard pension contributions and that terms and conditions of employment for Senior Post-holders mirror those for all staff.

#### 4. Performance and Remuneration of the Vice Chancellor

- 7.1 In assessing the Vice-Chancellor's performance, the Committee noted the institutional performance, the competitive environment which the University was operating, the Vice Chancellor's objectives related to the achievement of the University's Strategic Objectives and KPIs and the remuneration and pay movement of all employees within the University. The Chair of the Board confirmed that there were no issues arising from the Vice Chancellor's Annual Progress Review that needed to be taken into consideration.
- 7.2 Taking all factors into account, the Remuneration Committee's decisions for the Vice-Chancellor's remuneration, along with comparisons against the previous year, are shown in the table below.

Emoluments of the Vice-Chancellor	2019-20	2018-19
Salary	£186,384	£178,700
Performance related pay	N/A	N/A
Benefits	N/A	N/A
Subtotal	£186,384	£178,700
Employers Pension contributions	£27,585	£25,554
Total	£213,969	£204,054

#### 8. Pay Multiples

- 8.1 In the table below are the pay multiples of the Vice Chancellor's salary against the median salary of staff for 2019/20 and the previous year.
- 8.2 The first calculation in the table is that defined by the CUC Remuneration Code, which is the University and College Employers Association methodology and this differs from the Office for Students (OfS) Accounts Direction. The CUC Remuneration Code adopted methodology is based on Higher Education Statistics Agency data for non-atypical employees (i.e. those on permanent or long term fixed term contracts and excludes atypical staff which in the case of the University includes a substantial number of student ambassador roles and other staff who are not in regular ongoing employment with the University such as Visiting Lecturers and models).
- 8.3 The OfS Accounts Direction calculation differs as it requires the inclusion of all atypical and casual staff, which at Leeds Arts University includes the student ambassador roles, models and visiting lecturers excluded from the CUC calculation. It also includes agency staff. The mid-point of the salary ranges is significantly affected by the University employing student ambassadors to assist with activities such as open days, UCAS fairs, progression and other events where it is important that participants are able to hear about experiences direct from existing students. They help provide contextual information, advice and guidance from the perspective of a current student. Student ambassadors are an important part of the University's work in outreach, recruitment and internationalisation. During the year 667 staff were employed by the University on permanent, casual and atypical contracts, of which 258 were student ambassadors employed on an hourly basis working across various departments on a range of assignments. Student ambassadors represented 39% of the total number of staff employed.

8.4 *Table of pay multiples based on the CUC Remuneration Code methodology and the OfS methodology.*

	2019-20	2018-19
Pay multiple of V-C pay to median salary based on the CUC Remuneration Code methodology.	5.52	5.7
Pay multiple of V-C pay to median salary based on the OfS methodology including student ambassadors as per the Financial Statements.	7.93	8.12

The CUC noted in developing their code that the typical range of pay multiples for V-Cs to the median of employees using their methodology ranged between 4.5 and 8.9.

The OfS senior staff remuneration analysis of the 2017-18 disclosures noted that the range of pay ratios for V-Cs salary using their methodology was from 3.0 to 13.4. The OfS has not published an analysis of the 2018-19 range of pay ratios.

A link to the University's Financial Statements, which show the OfS multiple is here: <https://www.leeds-art.ac.uk/about-us/governance/charitable-status/>

## 9. External Appointments and Expenses

- 9.1 The University considers it important that employees are represented on various bodies and boards and undertake academic and civic responsibilities.
- 9.2 Any additional income that could be generated for the individual derived from such positions is expected to be declared and agreed in line with the policy on external income which can be found here <https://www.leeds-art.ac.uk/about-us/governance/charitable-status/>. The Vice-Chancellor received no additional income from any external appointments.
- 9.3 The University has a single scheme for payment of expenses for all employees, including Senior Postholders. The policy and procedures for claiming expenses incurred in the course of University business can be found in the University's Financial Regulations and Financial Procedures.