

Annual Remuneration Report, 2018/19

Introduction

This remuneration report sets out the University's approach to determining senior pay and outlines performance and reward during the year.

The Remuneration Committee is responsible for determining the remuneration of the Vice Chancellor and Senior Executives covered by the Senior Remuneration Policy as approved by the Board. Senior Executives are the senior leaders of LSBU who report directly to the Vice Chancellor. The Senior Executives for the year are:

- Vice Chancellor;
- Provost;
- Chief Financial Officer;
- Chief Business Officer/Deputy Vice Chancellor (Innovation);
- Chief Customer Officer;
- Pro Vice Chancellor (Compulsory Education) / Executive Principal (Lambeth); and
- University Secretary.

The Board has adopted the CUC Remuneration Code and approved a senior remuneration policy.

Full details of the senior pay policies referred to in this report are available on the LSBU website.

Terms of Reference

The Remuneration Committee's Terms of Reference are available online.

Committee Membership 2018/19

The members of the committee for the year 2018/19 were Mee Ling Ng (Committee Chair until July 2019 and committee member throughout the year), Jeremy Parr (Committee Chair from July 2019), Jerry Cope (Chair of the Board), Michael Cutbill and Douglas Denham St Pinnock. All members of the committee are independent governors. No members of the executive are members of the committee. The Vice Chancellor is invited to committee meetings where appropriate, such as to make recommendations on pay awards and bonuses of senior executives. No member of the executive was present for any discussion on their own remuneration.

Committee meetings 2018/19

The committee met twice in the 2018/19 academic year.

- 6 November 2018
- 2 July 2019

In addition, the committee made a decision via email in February 2019.

The committee also met on 21 November 2019 to consider Senior Executive performance and remuneration for 2018/19.

Approach to remuneration of all staff in 2018/19 and for 1 August 2019 onward

LSBU is a large complex organisation requiring both general and specialised leadership to fulfil its strategic objective of being seen as the leading Modern University in London. This requires the provision of high quality teaching and support to its students, at home and overseas, enabling them to face the real world confidently and successfully. The teaching environment will be underpinned by input from employers and will have a strong focus on Enterprise and applied Research.

To achieve this objective, LSBU needs to attract, retain and motivate a strong calibre of leaders with competitive remuneration packages, within both a London and international labour market. However, the approach to senior remuneration must be framed within a context that all LSBU employees are, and feel, remunerated fairly for their roles and responsibilities and enthusiasm for the success of the University.

At LSBU, we create an environment which attracts and fosters the very best staff, and in which all staff, whatever their role, feel valued and proud of the University and take appropriate responsibility for its development. Embracing and integrating equality and diversity and inclusion is fundamental to our success and growth as an institution of higher education.

Senior Remuneration

In setting senior remuneration, LSBU has adopted the CUC Higher Education Senior Staff Remuneration Code (2018).

LSBU's Senior Remuneration Policy sets out the following principles for senior remuneration:

- Remuneration will be applied to ensure that it is discrimination free, and based on job scale and complexity;
- Overall remuneration levels, including benefits, will be comparable, taking account of geography and affordability, to a set of equivalent institutions, decided by the Remuneration Committee but independently validated and, if appropriate, refreshed at least once every three years;
- Starting packages will reflect the experience and capability and particular circumstances of candidates, and the size and challenge of the particular role facing them;
- New starters will initially therefore often receive higher than average annual increases as their performance moves above the median expected for the role;

- Overall nonetheless the average % annual pay increases for senior executives as a whole will normally be no higher than for all employees, including the value of increments, where paid;
- Account will also be taken of the ratio of the VC's base salary and total remuneration to the median earnings of the Institution as a whole, both absolute and the change from the previous years.
- Individual annual pay increases will be influenced by performance, but in general good or exceptional performance will be rewarded mainly by annual unconsolidated bonus rather than basic pay;
- This individual performance annual bonus scheme, currently set at a maximum of 10% of basic pay, will be based on pre-agreed clear measurable output-based objectives; no individual bonus will normally be paid unless the University meets an overall financial target set by the Board as a whole;
- At the Remuneration Committee's discretion, a team bonus awarded against specific team objectives in addition to the individual bonus will operate, currently set at a maximum of 5% with the potential to rise to 10% on the approval of the Remuneration Committee
- At the Board's discretion, the overall package may also include a longer-term incentive scheme, the perceived value of which should be included in assessing comparability with equivalent institutions;
- The Board will publish the value of the packages of some or all of its senior executives, in the way defined and required by the Office for Students (OfS);
- These principles will be resubmitted to the full Board for endorsement, as a minimum once every three years and will be published in LSBU's Report & Accounts

Benchmarking

An independent review of the benchmark set for Senior Executive salaries was carried out by Korn Ferry in September 2018 and based on recommendations a revised approach to benchmarking was approved by the Committee at its meeting of 6 November 2018.

The committee agreed that based on the distinctive challenges and structure of the LSBU group the following relevant benchmarks and indicators will be taken into consideration when setting and reviewing Senior Executive salaries:

- Institutions of similar size and type based on UCEA data (this data will be interpreted to take account of LSBU's London location by adding 5%);
- London modern universities; and
- Other universities with a group structure or similar complexity of structure or regulatory framework.

The Hay Group Guide Chart Profile Method of job evaluation was used to set the benchmark for all Executive level jobs and salaries.

Institutional performance, 2018/19

The Board monitors the performance of the University through the agreed key performance indicators. As set out in the *Strategic Report*, the University performed well in terms of both financial and strategic outcomes.

Institutional performance including areas measured by the key performance indicators plus individual objectives are reviewed as part of individual Senior Executives' appraisals and are overseen by the Remuneration Committee.

Vice Chancellor performance, 2018/19

This assessment of Vice Chancellor performance is for academic year 2018/19. The bonus awarded based on performance for academic year 2018/19 will be paid in financial year 2019/20 and appear in next year's accounts.

The Vice Chancellor's performance was reviewed by the Chair of the Board as part of the appraisal process, looking at key results both against key KPIs for the University, which the Vice Chancellor oversees, and against the specific personal objectives (marked *) set for the Vice Chancellor by the Remuneration Committee:

- *The financial stability of the organisation has been ensured and the diversity of income streams has been increased;
- Recruitment in 2019, has been above expectation, where others have struggled, thanks to the growing reputation of the University;
- Progression rates were flat but disappointingly below target;
- *Institutional reputation and specifically League table rankings across all tables have improved above the average improvement by comparators;
- *The transaction for Lambeth College, as part of the family of educational institutions' strategy, has been completed;
- Costs have been controlled carefully, but with investment in key strategic areas;
- *The staff engagement score improved by a considerable 4%, at a time of significant change;
- *Progress has been made on the Estates strategy with major improvements across the elephant estate, and work started at Vauxhall;
- * The family of educational institutions concept has progressed within a new approved 2020-2025 Group strategy; and
- There has been strong and confident leadership both internally and externally, including representing LSBU to key stakeholders.

So in summary LSBU has had a further excellent year at a particularly complex and challenging time and is well placed to thrive in a potentially tough environment going forward, The Board recognises the importance of maintaining a strong and determined leadership team at this time.

During the year under review, the Vice Chancellor was awarded a bonus of £20k for individual performance (a bonus of £19k was awarded for performance in 2017/18) and a bonus of £10.5k for team performance.

Performance related pay, 2018/19 and 2019/20

Under the Senior Remuneration Policy, for 2018/19, the Vice Chancellor and Senior Executives are eligible for a bonus of up to 10% of salary and for a team bonus of up to 5% of salary as set out in the remuneration principles above. The award of both individual and team bonuses is reviewed and approved by the Remuneration Committee.

During the year, the University met its overall financial target and eight members of the executive were eligible to receive an individual bonus and a team bonus. Following the appraisal process and a report on performance against individual measurable objectives, the Committee approved eight individual (including the Vice Chancellor) bonuses and a team bonus (of 4.5%) together totalling £136k (for 2017/18 performance, eight individual bonuses were awarded totalling £80k).

For 2019/20, a separate team bonus to a maximum of 8% will operate in addition to the individual bonuses set out above and in line with a policy to increase the proportion of pay related annually to performance.

There is a separate performance related pay scheme for Senior Managers (grades A – B. Bonus of up to 3% of salary) and Senior Leaders (grade C. Bonus of up to 10% of salary). Staff eligible for performance related pay receive annual inflation uplifts to their base pay. Bonuses for performance during 2018/19 will be determined in November 2019 (32 bonuses were awarded totalling £165k in 2018/19 for performance during 2017/18).

Total Remuneration: Vice Chancellor

The table below sets out payments to the Vice Chancellor during 2018/19 with a comparison to 2017/18. The bonus figure relates to performance in the previous year.

Emoluments of the Vice Chancellor	2018–19	2017–18
	£'000	£'000
Salary	234	228
Performance related pay	19	18
Taxable benefits	10	10
Subtotal	263	256
Pension scheme contributions or payments in lieu of pension contributions	34	34
Total	297	289

In August 2019, the Vice Chancellor paid back a loan of £350k in full to the University (full details of the loan are included in note 8(E) of the annual report and accounts). From August 2019, the Remuneration Committee agreed a central London accommodation allowance of £10,000.

For the current year, the Vice Chancellor has been awarded a pay increase of 1.8%, in line with the average annual pay rise for all employees.

Pay Multiple

The Vice Chancellor's basic salary is 6.15 times the median pay of staff across the organisation, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Vice Chancellor's total remuneration salary is 6.78 times the median total remuneration of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The pay multiple has remained in line with that of previous years.

Year	Ratio – basic salary	Ratio – total remuneration
2018/19	6.15	6.78
2017/18	6.18	6.86
2016/17	6.33	7.01
2015/16	6.10	6.97

The ratios do not include agency workers.

The LSBU basic salary ratio compares to the sector ratio of 6.9 (based on UCEA data for 2018).

External appointments, expenses and severance

LSBU's policy on the retention of income generated from external bodies is that Executive members are expected to declare any external income. The expectation is that external income will not be retained but on occasion permission to retain income may be given by the Vice Chancellor (and in the case of the Vice Chancellor by the Chair of the Board). Where Executive members are appointed on a fractional basis it may well be external activity can be accommodated outside of contract but it should still be declared to avoid conflict. The Remuneration Committee reviews these declarations.

In 2018/19, the Vice Chancellor donated royalties to the University's hardship fund. The Vice Chancellor did not undertake any external remunerated activity.

LSBU's Expense policy is available online. It applies to all staff including Senior Executives.

In 2018/19, the Vice Chancellor's expenses totalled £2.5k. These are payments on a purchasing card for travel, accommodation, meals, entertaining and other authorised costs. In addition, work-related travel costs of £2k were booked through the University's central travel buying team for the Vice Chancellor.

The Remuneration Committee has approved a policy on severance arrangements.