

# Annual Remuneration Report, 2020/21

## Introduction

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

The Board has adopted the CUC Remuneration Code and approved a senior remuneration policy. A key principle of the latter is to ensure base salaries for established executives, performing well, are competitive in the London market-place and beyond i.e. normally no worse than the London median for comparable institutions. In addition, the remuneration policy includes, where appropriate, individual and team based executive bonus awards for achieving stretching and clearly defined key performance indicators and objectives.

The Remuneration Committee is responsible for determining the remuneration of the Group CEO and Principal Accounting Officer (also the Vice Chancellor of the University and Accountable Officer/CEO SBC) and Senior Executives covered by the Senior Remuneration Policy. Senior Executives are the senior leaders of LSBU Group who report directly to the Group CEO. The Senior Executives for the year are:

- Provost;
- Group Chief Financial Officer;
- Group Secretary;
- Deputy Vice Chancellor and Chief Business Officer;
- Pro Vice Chancellor (Academic Framework);
- Chief Customer Officer;
- Chief People Officer;
- Pro Vice Chancellor (Compulsory and Further Education) / Executive Principal (Lambeth); and
- PVC Health and Social Care.

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 2020/2021

The members of the committee for the year 2020/21 were Jeremy Parr (Committee Chair), Jerry Cope (Chair of the Board), Michael Cutbill (Vice Chair of the Board), Mee Ling Ng (until March 2021) and Deepa Shah (from March 2021 to October 2021). All members of the committee are independent governors. No members of the executive are members of the committee. The Group CEO 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 2020/21**

The committee met three times in the 2020/21 academic year.

- 3 November 2020
- 30 March 2021 (by email)
- 22 June 2021

The committee also met on 2 November 2021 to consider Senior Executive performance and remuneration for 2020/21.

### **Approach to remuneration of all staff in 2020/21 and for 1 August 2021 onward**

LSBU Group is a large complex organisation requiring both general and specialised leadership to fulfil its strategic objective of being seen as a nationally leading provider of technical and professional education. 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 Group 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 Group employees are, and feel, remunerated fairly for their roles and responsibilities and enthusiasm for the success of the University and Group.

At the LSBU Group, 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 Group and take appropriate responsibility for its development. Embracing and integrating equality and diversity and inclusion is fundamental to our success and growth as providers of technical and professional education alongside research and enterprise.

### **Senior Remuneration**

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

LSBU's Senior Remuneration Policy (agreed by the Board in October 2018) 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;

- Base salaries for established executives, performing well, are competitive in the London market-place and beyond i.e. normally no worse than the London median for comparable institutions
- Overall remuneration levels, including benefits, will be set to attract and retain good quality leaders, with a significant element of reward based on performance, assessed against objectives;
- 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 towards and as appropriate 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 Group CEO's base salary within an HE setting and total remuneration to the median earnings of the university 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 8% 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*

The committee has agreed that based on the distinctive challenges and structure of the LSBU Group the following relevant benchmarks and indicators would normally be taken into consideration when setting and reviewing the Group CEO/Vice Chancellor's salary:

- London modern universities

- To the extent available, 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%); and
- To the extent available, other universities with a group structure or similar complexity of structure or regulatory framework.

Senior executive pay is independently benchmarked every three years. Korn Ferry carried out this review in September and October 2021. Following this review the remuneration committee agreed that overall benefits for its Senior Executive team remain broadly comparable for their roles, but that some adjustments might need to be made, depending on performance, in future years.

The Korn Ferry Hay method of job evaluation was used to set the benchmark for all Executive level jobs and salaries.

### **Institutional performance, 2020/21**

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 many strategic outcomes, notwithstanding that some strategic objectives were inevitably impacted by the Covid pandemic and by the disruptive IT outage which the university experienced in late 2020.

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.

### **Group CEO performance, 2020/21**

This assessment of the Group CEO's performance is for academic year 2020/2021. The bonus awarded based on performance for academic year 2020/21 will be paid in financial year 2021/22 and appear in next year's accounts.

The Group CEO'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 and Group, which the Group CEO oversees, and against the specific personal objectives (marked \*) set for the Group CEO by the Remuneration Committee:

- \*The financial stability of the organisation has continued and the diversity of income streams has been increased;
- High standards of safety have been achieved across all parts of the LSBU Group;
- Recruitment in 2021, has held up or increased, thanks to the growing reputation of the University;
- \*Institutional reputation across the Group has improved but disappointingly specific UK League table rankings for the University have decreased primarily following a change in the measurement in the Sector of student outcomes, but also impacted by a relative drop in National Student Survey scores;

- The KEF return was submitted and placed LSBU in the top quartile based on normalised data and the REF submission was completed with almost double the staff submitted previously. These measures have driven improvements in the Times World Rankings (now joint 83<sup>rd</sup> in UK 801-1000 globally);
- Good progress in terms of student outcomes continues to be made at Lambeth College, a key element of the family of educational institutions' strategy; financial performance continues to be a challenge but plans to complete the recovery are progressing;
- Costs have been controlled carefully, but with investment in key strategic areas;
- \*Staff engagement was again strong at a time of significant change and disruption;
- \*Notwithstanding affordability challenges, progress has been made on a number of key major projects and plans, including the opening of an exciting new campus at Croydon;
- The new Group strategy building on the growing family of educational institutions vision is underpinning key strategic initiatives;
- There has been strong and confident leadership during the pandemic ensuring that students across the Group were well supported to achieve their learning objectives; and
- High profile contributions have been made on the national stage in terms of the development of the Sector, especially on social mobility and on technical universities.

In conclusion, the Group, with a prudent financial strategy, is well placed to thrive and improve student outcomes in a potentially tough environment going forward. The Board continues to recognise the importance of maintaining a strong and determined leadership team across all areas of activity.

During the year under review, the Group CEO was awarded a bonus of £12.7k for individual performance (a bonus of £17.9k was awarded for performance in 2019/20) and a bonus of £3.7k for team performance.

#### *Performance related pay, 2020/21 and 2021/22*

Under the Senior Remuneration Policy, for 2020/21, the Group CEO and Senior Executives were eligible for a bonus of up to 10% of salary and for a team bonus of up to 8% 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 nine members of the executive were eligible to receive an individual bonus and nine members a team bonus. Following the appraisal process and a report on performance against individual measurable objectives, the Committee approved nine individual (including the Group CEO) bonuses and a team bonus (of 1.56%) together totalling £90.9k (for 2019/20 performance, eight individual bonuses and a team bonus were awarded totalling £100k).

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 2020/21 were determined in November 2021.

### **Total Remuneration: Group CEO**

The table below sets out payments to the Group CEO during 2020/21 with a comparison to 2019/20. The bonus figure relates to performance in the previous year.

<b>Emoluments of the Group CEO</b>	<b>2020–21</b>	<b>2019–20</b>
	£'000	£'000
<b>Salary</b>	238	238
<b>Accommodation allowance</b>	10	10
<b>Performance related pay</b>	33	30
<b>Taxable benefits</b>	1	1
<b>Subtotal</b>	282	279
<b>Pension scheme contributions or payments in lieu of pension contributions</b>	35	35
<b>Total</b>	317	314

For 2020/21, the Group CEO/Vice Chancellor has been awarded a pay increase of 1.5%, In line with the pay award to LSBU employees.

#### *Pay Multiple*

The Group CEO/Vice Chancellor's basic salary is 6 times the median pay of staff across the university, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Group CEO/Vice Chancellor's total remuneration salary is 6.9 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 university to its staff.

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

Year	Ratio – basic salary	Ratio – total remuneration
2020/21	6.06	6.89
2019/20	6.23	6.94
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 ratios compare to the average sector ratio of 6.4 for basic pay and 6.97 for total remuneration (based on HESA Head of Provider data for 2019/20).

### **External appointments, expenses and severance**

LSBU's policy on the declaration and retention of income generated from external bodies is that Executive members are expected to declare any external income. The expectation is that external income can either be retained or shared with the institution. Agreement shall be sought from the Vice Chancellor (and in the case of the Group CEO by the Chair of the Board and reported to the Chair of the Remuneration Committee). Where Executive members are appointed on a fractional basis it may well be external activity can be accommodated outside contract but it should still be declared to avoid conflict. The Remuneration Committee reviews these declarations.

In 2020/21, the Group CEO donated royalties to the University's hardship fund. The Group CEO did not undertake any external remunerated activity.

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

In 2020/21, the Group CEO's expenses totalled £869. These are payments on a purchasing card for travel, accommodation, meals, entertaining and other authorised costs. No travel was booked through the University's central travel buying team for the Group CEO and no expenses were claimed through the payroll.

The Remuneration Committee has approved a policy on severance arrangements.