

Annual Remuneration Report, 2022/23

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:

- The Vice Chancellor and Group CEO
- Chief People Officer
- Provost
- Group Chief Financial Officer
- Deputy Vice Chancellor (Academic Framework)
- Chief Operating Officer
- Pro Vice Chancellor (Compulsory and Further Education)
- Group Secretary
- Pro Vice Chancellor (Institute of 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 2022/2023

The members of the committee for the year 2022/23 were Jeremy Parr (Committee Chair), Shona Brown, Jerry Cope (Chair of the Board) and Michael Cutbill (Vice Chair of the Board). All members of the committee attended all meetings during the year. Andreas Raffel joined the committee as the new Chair of the Board from August 2023. 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 2022/23

The committee met twice in the 2022/23 academic year.

- 16 November 2022
- 4 July 2023

During the year, the committee also made a decision via email.

The committee also met on 23 November 2023 to consider Senior Executive performance and remuneration for 2022/23.

Approach to remuneration of all staff in 2022/23 and for 1 August 2023 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 national and international labour market. However, the approach to senior remuneration must be framed within a context that all LSBU Group employees are remunerated appropriately.

We aim to create an environment which attracts and retains the best diverse talent possible and in which all staff, whatever their role, feel valued and proud to work for the Group.

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 November 2021) 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 9% 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.

External context

Post pandemic a number of significant challenges remain around attracting high quality candidates and general movement remains very stagnant across all levels. There is a need to retain high performing senior leaders and those with specialist skills in hard to recruit to roles.

Institutional performance, 2022/23

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 many 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.

Group CEO performance, 2022/23

This assessment of the Group CEO's performance is for academic year 2022/2023. The bonus awarded based on performance for academic year 2022/23 will be paid in financial year 2023/24 and appear in next year's accounts.

The Group CEO's performance was reviewed by the former Chair of the Board (term ended 31 July 2023) and the current Chair of the Board (term began on 1 August 2023) 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 set for the Group CEO by the Remuneration Committee:

- institutional reputation across the Group has improved, with increases in the domestic league tables and LSBU being ahead of target in the Times world ranking;
- student experience and educational outcomes are improving, but more needs to be done and progression rates remain disappointing;
- the NSS scores and ranking improved;
- graduate outcomes improved;

- overall a TEF 'silver' grade was achieved with 'gold' rankings on some of the aspects;
- Ministerial approval was obtained to convert the UTC to a technical sixth form, which opened in September 2023;
- the finances for LSBU have been challenging, with the budget target being missed. However, SBC exceeded its budget and SBA met its budget;
- staff restructure plans were developed and implemented during the year;
- the outcome from the recent Knowledge Exchange Framework moved LSBU into the top 50% of English Universities and research and enterprise income exceeded £23M for the first time;
- the target for intra-group progression has been missed; and
- the outline estates masterplan has been prepared but phases and cash flow need developing.

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.

Performance related pay, 2022/23

Under the Senior Remuneration Policy, for 2022/23, 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 9% 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 did not meet its overall financial target. However, under the remuneration principles above, the committee may award bonuses despite the University not meeting its overall financial target. Taking into account the University's good performance in many strategic areas, the committee agreed to award individual bonuses to members of the Executive but given LSBU missed its financial target no team bonus was awarded to members of the Executive. Following the appraisal process and a report on performance against individual measurable objectives, the Committee approved seven individual (including the Group CEO) bonuses together totalling £66k (for 2022/23 performance, nine individual bonuses and a team bonus were awarded totalling £116.4k).

During the year under review, the Group CEO was awarded a bonus of £10k for individual performance (a bonus of £16.3k was awarded for individual performance and £8.5k for team performance in 2021/22).

Total Remuneration: Group CEO

The table below sets out payments to the Group CEO during 2022/23 with a comparison to 2021/22. The bonus figure relates to performance in the previous year.

Emoluments of the Group CEO	2022–23	2021–22
	£'000	£'000
Salary	249	242
Accommodation allowance	10	10
Performance related pay	25	16
Taxable benefits (medical insurance)	2	2
Subtotal	286	270
Pension scheme contributions or payments in lieu of pension contributions	36	35
Total	322	305

For 2023/24, the Group CEO/Vice Chancellor has been awarded a pay increase of 5%, in line with the pay award to LSBU employees.

Pay Multiple

The Group CEO/Vice Chancellor's basic salary is 5.92 (2022: 6.07) 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 6.35 (2022: 6.35) 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
2022/23	5.92	6.35
2021/22	6.07	6.35
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 7.1 for basic pay and 7.4 for total remuneration. The MillionPlus group ratio is 6.7 for basic pay and 6.8 for total remuneration. The post 92 institution type ratio is 6.8 for basic pay and 7.1 for total remuneration (based on UCEA data for 2021/22).

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 from 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.

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 2022/23, the Group CEO's expenses totalled £5,381 (2021/22: £3,836). These are payments on a purchasing card for travel, accommodation, meals, entertaining and other authorised costs, and other travel booked through the University's central travel buying team. No expenses were claimed through the payroll.

The Remuneration Committee has approved a policy on severance arrangements.