



UNIVERSITY OF
PORTSMOUTH

Annual Report of the Remuneration Committees

November 2019

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Overview

This report covers the reporting period October 2018 to November 2019. The performance objectives of the Vice-Chancellor and senior postholders are set in October each year and the performance against these objectives are formally reviewed 12 months later. These timescales therefore determine the reporting period used.

The Board receives a formal report after each meeting of the Remuneration Committees. This annual report provides an over-arching summary of its deliberations over the year.

Structure and Membership of the Remuneration Committees

1 The University has two committees that consider the remuneration of senior postholders. These are:

(a) The **Vice-Chancellor's Remuneration Committee** considers the remuneration of the Vice-Chancellor.

The membership of the Vice-Chancellor's Remuneration Committee during the reporting period was:

- Margaret Scott, Chair of the Human Resources Committee (Chair) (to 31 July 2019)
- Jenny Crighton, Chair of the Infrastructure and Finance Committee (from 1 August 2019)
- Jane Hoskins, Chair of the Board of Governors
- Claudia Iton, Chair of the Human Resources Committee (from 1 August 2019)
- Mark Readman, Chair of the Finance Committee/Infrastructure and Finance Committee (to 31 July 2019)
- David Willan, Deputy Chair of the Board of Governors (from 1 August 2019)
- Professor Nairn Wilson, Deputy Chair of the Board of Governors (to 31 July 2019)

(b) The **Senior Postholders' Remuneration Committee** considers the remuneration of the University's senior postholders. These are the Deputy Vice-Chancellor; the Chief Operating Officer and Deputy Vice-Chancellor; Pro Vice-Chancellor (Research and Innovation); Pro Vice-Chancellor (Global Engagement and Partnerships); Executive Director of Finance; and Executive Director of Corporate Governance.

The membership of the Senior Postholders' Remuneration Committee during the reporting period was:

- Margaret Scott, Chair of the Human Resources Committee (Chair) (to 31 July 2019)
- Jenny Crighton, Chair of the Infrastructure and Finance Committee (from 1 August 2019)
- Professor Graham Galbraith, Vice-Chancellor
- Jane Hoskins, Chair of the Board of Governors
- Claudia Iton, Chair of the Human Resources Committee (from 1 August 2019)
- Mark Readman, Chair of the Finance Committee/Infrastructure and Finance Committee (to 31 July 2019)
- David Willan, Deputy Chair of the Board of Governors (from 1 August 2019)
- Professor Nairn Wilson, Deputy Chair of the Board of Governors (to 31 July 2019)

Members of both Committees are appointed by the Board of Governors.

2 The terms of reference of both committees are at Appendix 1.

Dates of Meeting and Attendance

Joint Meeting of the Committees – 26 November 2018

3 The Committees held a joint meeting on 26 November 2018. The following members were in attendance: Margaret Scott; Jane Hoskins; Mark Readman; and Professor Nairn Wilson. Professor Graham Galbraith decided not to attend the meeting. This was to enable governors to have a full and frank discussion of the proposals and to avoid any perception of a conflict of interest.

- 4 The meeting was specifically convened to discuss the report prepared by Dr Duncan Brown of the Institute for Employment Studies on “The Development of Pay Range Frameworks for the Vice-Chancellor and Senior Postholders”.

Joint Meeting of the Committees – 27 March 2019

- 5 The Committees held a joint meeting on 27 March 2019. The following members were in attendance: Margaret Scott; Professor Graham Galbraith; Jane Hoskins; and Mark Readman. Professor Nairn Wilson dialled into the meeting.
- 6 This meeting considered the existing framework for setting the pay of senior postholders; the annual OfS senior staff remuneration report; and the creation of pay range frameworks for senior postholders.

Joint Meeting of the Committees – 1 October 2019

- 7 The Committee held an induction meeting for new members on 1 October 2019. The following members were in attendance: Jenny Crighton; Professor Graham Galbraith; Jane Hoskins; Claudia Iton and David Willan.
- 8 The purpose of this meeting was to brief new members on their role and responsibilities. The session addressed and provided members with the opportunity to discuss and ask questions about the rationale for having two remuneration committees; terms of reference; CUC good practice on remuneration and severance arrangements; the requirements of the OfS accounts direction; the pay framework for senior postholders; comparator and benchmarking information; and the annual report of the remuneration committees.

Meeting of the Vice-Chancellor’s Remuneration Committee – 29 October 2019

- 9 The Vice-Chancellor’s Remuneration Committee met on 29 October 2019. The following members were in attendance: Jenny Crighton; Jane Hoskins; Claudia Iton and David Willan.
- 10 This meeting specifically considered and reviewed the Vice-Chancellor’s performance for 2018/19 and remuneration for 2019/20.

Meeting of the Senior Postholders’ Remuneration Committee – 20 October 2018

- 11 The Senior Postholders’ Remuneration Committee met on 10 October 2018. The following members were in attendance: Jenny Crighton; Professor Graham Galbraith; Jane Hoskins; Claudia Iton and David Willan.
- 12 This meeting specifically considered and reviewed senior postholders’ performance for 2018/19 and remuneration for 2019/20. The Committee also noted that, in accordance with its monitoring responsibilities, that no severance payments had been made during the academic year 2018/19 to any member of staff earning in excess of £100k per annum.

Servicing of the Committees

- 13 The Executive Director of Corporate Governance clerked all meetings in his capacity as Clerk to the Board of Governors. He retired from the meeting room for the duration of any discussion of his personal remuneration.
- 14 The Executive Director of Human Resources attended the meetings held on 26 November 2018, 1 October 2019 and 29 October 2019. The Deputy Director of Human Resources (Organisational Development) attended the meeting held on 27 March 2019. This attendance was by invitation of the Committees and was to provide specialist knowledge and support.
- 15 Comprehensive reports of each meeting were provided to the Board of Governors.

Approach to Remuneration

- 16 The University has established a framework that outlines a number of clear principles that will be followed to ensure that decisions on the levels of remuneration for senior postholders are evidence- based and are transparent, fair and equitable. The framework is set out below:

Pay Ranges and Initial Salaries of Senior Staff

- (a) Each senior post has a market-related pay range set, within which the postholder's base level pay is managed and adjusted. When setting the pay range, the University will take account of:
- (i) Benchmarking data gathered via the annual independent UCEA survey of senior staff remuneration within the higher education sector, with a particular focus upon:
 - All higher education institutions with a turnover of £202m to £400m
 - All post-92 higher education institutions with a turnover of £202m to £400m
 - All higher education institutions in London and the South East of England with a turnover of £202m to £400m
 - (ii) The relative performance of the University in comparison with other institutions and the salaries offered for comparable posts at similarly performing institutions.
 - (iii) Benchmarking data, where this is available, for comparable senior posts in other sectors.

When setting the initial salaries of senior staff within the pay range, the University will take account of:

- (iv) Comparison with the salaries of other senior postholders within the University, taking into consideration the relative responsibilities and accountabilities of each senior post.
- (v) The need to apply an inflationary adjustment to take account of time lags in the publication of benchmarking data.
- (vi) The need to offer a competitive reward package to attract and secure candidates with the necessary experience, taking account of relevant market intelligence.

Pay ranges will be formally reviewed every three years to ensure their continued fitness for purpose, taking account of market intelligence and benchmarking data. However, adjustments to pay ranges may be made within this three year timescale if exceptional changes in the market rates paid for particular roles become apparent.

Reviewing the Salaries of Senior Staff

- (b) When making changes to the salaries of senior staff the University will take account of:
- (i) Their sustained performance and contribution during the preceding year(s). The performance of individual postholders will be formally reviewed each year, mirroring the University's PDR process that applies to all staff. Any senior postholder identified as requiring significant improvement in their performance will not receive any pay increase in the relevant year.
 - (ii) Any material changes in roles and responsibilities since the previous review period.
 - (iii) The percentage increase in salary awarded to staff on national payscales as a consequence of national negotiations.
 - (iv) The average percentage increase in salary received by staff on national payscales to reflect incremental pay progression.
 - (v) Maintaining the relative value of salaries when compared with benchmarking data in the annual UCEA survey of senior staff remuneration within the higher education sector, with a particular focus upon:
 - All higher education institutions with a turnover of £202m to £400m
 - All post-92 higher education institutions with a turnover of £202m to £400m
 - All higher education institutions in London and the South East of England with a turnover of £202m to £400m

- (vi) The overall affordability of any proposed increases to senior salaries, taking account both of the University's financial performance and the need to offer salaries that compare favourably with competitor institutions.
- (vii) The University will review and moderate the pattern of increases across all senior postholders in order to ensure fairness and consistency.

Pay Range Ceilings

- 17 Pay range ceilings will be formally reviewed every three years to ensure that they continue to reflect market rates. In addition, the pay range ceilings will be reviewed annually to reflect, where appropriate, national pay awards in the sector to mitigate the impact of inflation
- 18 A ceiling will be set at the top of the pay range for each senior post. This will set a maximum pay level for each post.
- 19 For a senior post holder who has reached their pay range ceiling, a single non-consolidated payment could be made to reflect their sustained performance and contribution during the preceding year. Their base pay would be capped at their pay range ceiling.

Recognition Awards

- 20 In occasional instances of truly exceptional performance in delivering on the strategic imperatives of the University, a senior postholder may be considered for a non-consolidated special payment, in recognition of their achievement.
- 21 Such awards are not considered for actions which might normally be expected to fall within the senior postholder's remit, but for truly outstanding and exceptional performance.

Attraction and Retention Payments (Market Supplements)

- 22 The University may, for market pay reasons, decide to apply a market supplement to certain senior roles. The size of the market supplement to be applied will be determined by market data and evidence around the inability to recruit or retain senior postholders in certain roles. The University will review the appropriateness of market supplements on an annual basis. Senior postholders in receipt of a market supplement will be given three months' notice of the cessation of any market supplement payments.

Probationary Periods

- 23 Senior postholders will receive no increase in salary until the successful completion of their probationary year.

Pay Relativities within the institution

- 24 The University will monitor the ratio between the highest paid member of staff and the median pay level across the University. This ratio should reflect other comparable universities and the earnings multiple should not exceed 10:1.
- 25 The University will also ensure that its highest paid staff member will not earn more than 20 times the full time equivalent salary of its lowest paid staff member. This is consistent with a proposal considered by the Hutton Review of Fair Pay in the Public Sector.

Application of this Framework

- 26 This framework applies to all staff designated as senior postholders by the Board of Governors. The Vice Chancellor will take account of its principles when setting the remuneration of other senior staff.

Institutional Performance

- 27 The Remuneration Committees receive the following information to support their decision-making:

- (i) Copies of the performance feedback letters received by senior postholders following their annual Personal Development Reviews. These letters detail both their achievement against personal objectives and their contribution to the achievement of corporate objectives, including the assistance they have given to supporting the attainment of colleagues' objectives.
- (ii) A comprehensive report on the University's comparative performance when compared with the University Alliance Group of Universities and all UK universities. This provides details of the University's overall performance in relation to:
 - Performance in key league tables: these draw primarily upon the University's position in the three key domestic league tables - Complete University Guide, The Times and The Guardian league tables. Note is also taken of the University's position in international league tables – primarily, the Times Higher World Ranking and the Times Higher Young University league tables.
 - Student satisfaction: National Student Survey (NSS) outcomes.
 - Student employability: Destinations of Leavers from Higher Education (DLHE) Survey outcomes.
 - Teaching excellence: performance in the Teaching Excellence Framework (TEF) and results derived from TEF-related pilot activity.
 - Research and Innovation performance: performance in the Research Excellence Framework and income from research and innovation activities.
 - Financial performance: the total income of the University.
- These measures are used because they reflect fundamental measures of strategic success but also represent higher-level output measures for which reliable benchmarking data is available.
- Overall, the University of Portsmouth performs in the upper quartile in the context of post-92 universities and, in relation to all UK universities, is performing at an above average level.

Assessment of Senior Postholders' Performance

- 28 Having discussed and taken account of all relevant factors and especially the requirements of the Framework for Setting the Pay of Senior Postholders, the Senior Postholders' Remuneration Committee agreed the remuneration of senior postholders for the academic year 2019/20 and that changes to salary should be implemented with effect from 1 August 2019.
- 29 The Senior Postholders' Remuneration Committee took care to ensure that their decisions achieved a balance between achieving valid pay relativities for levels of relative seniority, rewarding performance, and ensuring compatibility with the salaries paid for comparable roles in comparable universities.

External Appointments and Expenses

- 30 Senior postholders may only accept remunerated roles with other bodies with the explicit permission of the Vice-Chancellor. None of the University's senior postholders receive any remuneration from other bodies.

Assessment of the Vice-Chancellor's Performance

Assessment of Value and Performance

Contextual Information

- 31 To enable the Vice-Chancellor's Remuneration Committee to assess the value and performance delivered by the Vice-Chancellor, the following contextual information is provided to the Committee:

- (a) A narrative based on the discussions conducted at the Vice-Chancellor's personal development review (PDR) meeting with the Chair and Deputy Chair of the Board of Governors.
- (b) An assessment of achievement against the Vice-Chancellor's personal objectives for the reporting year.
- (c) A summary of the salary and benefits received by the Vice-Chancellor.
- (d) Details of the remuneration received by the Vice-Chancellor in previous years.
- (e) CUC and UCEA comparator data.
- (f) Lowest paid staff member pay ratio and median pay rate ratio data for the University.

In addition, the Chair of the Board of Governors writes to all governors to invite comments, feedback and observations on the Vice-Chancellor's performance.

Judgement of Performance

- 32 In reaching their decision, the Vice-Chancellor's Remuneration Committee concluded that:
- (a) Comments, feedback and observations on the Vice-Chancellor's performance from governors confirmed that it was the view of governors that the Vice-Chancellor had provided effective leadership for the University and had maintained a firm focus upon achieving key strategic outcomes for the University.
 - (b) The assessment of the Vice-Chancellor's achievement against his objectives for 2018/19 showed that he had either attained in full or had demonstrated substantial progress towards the delivery of all his performance objectives for the reporting year.
 - (c) The Vice-Chancellor had demonstrated strong strategic leadership and a dynamic, enthusiastic and entrepreneurial approach to his role.
 - (d) The Vice-Chancellor had attained a very high level of performance over the reporting year.
- 33 Having discussed and taken account of all relevant factors and especially the requirements of the Framework for Setting the Pay of Senior Postholders, the Vice-Chancellor's Remuneration Committee agreed that the Vice-Chancellor should receive a salary of £288,000 with effect from 1 August 2019.

Other Benefits

Health Insurance

- 34 The Vice-Chancellor receives family healthcare insurance cover under the Universities and Colleges Corporate Healthcare Scheme. This insurance cover is available to all senior postholders of the University. The cost to the University of providing this cover was £1,353 for 2018/19 and is anticipated to be £1,364 2019/20. It is a taxable benefit and the Vice-Chancellor pays tax upon this.

Pension Allowance

- 35 The University allows any member of staff who can demonstrate that they have met their maximum lifetime pension allowance to opt-out of their pension scheme and, instead, receive a pension allowance from the University in lieu of pension contributions. The Vice-Chancellor has availed himself of this option and received a monthly allowance of £3,325 in lieu of pension contributions from the University during 2018/19. This is anticipated to be £4,789 per month during 2019/20.
- 36 The Vice-Chancellor also participates in an excepted group life assurance scheme which replicates the current life insurance benefits provided by membership of the pension scheme. This is available to all staff in receipt of a pension allowance from the University. The cost of this scheme that relates to the Vice-Chancellor is £933 per annum and this is deducted from his pension allowance payment.

External Appointments and Expenses

- 37 The Vice-Chancellor may only accept remunerated roles with other bodies with the explicit permission of the Chair of Governors. The Vice-Chancellor does not receive any remuneration from other bodies.

Summary of Vice-Chancellor's Emoluments

Summary of Vice-Chancellor's Emoluments

Emoluments of the Vice-Chancellor	2019/20	2018/19
Salary	288,000	282,000
Benefits	1,364	1,335
Subtotal	289,364	283,335
Pension costs	57,476 ¹	40,120
TOTAL	346,840	323,455

¹ This reflects the externally imposed 7% increase in Teachers Pension Scheme (TPS) contributions for all staff enrolled in the scheme at all universities.

Appendix 1

University of Portsmouth - Board of Governors

Senior Postholders' Remuneration Committee

The Constitution of the Senior Postholders' Remuneration Committee comprises four External Governor members holding particular offices, together with the Vice-Chancellor:

- Chair of the Board
- Deputy Chair of the Board
- Chair of Human Resources Committee
- Chair of Finance Committee
- and the Vice-Chancellor (for all matters other than those affecting his own position).

Notes:

The Executive Director of Human Resources attends to provide advice and guidance as required and the Committee can call on other sources of advice as it thinks necessary, for example, the Director of Finance.

The Senior Postholders Remuneration Committee will meet to review its processes at least every three years.

Terms of Reference – last approved by the Board 11 October 2017 Minute 7.7

- 1 To determine and keep under review the pay and conditions of service of all senior postholders with the exception of the Vice-Chancellor and as defined by the Board in accord with the Articles of Government (AoG 1.1): currently the Pro Vice-Chancellors, the Chief Operating Officer, the Executive Director of Finance, and the Executive Director of Corporate Governance; and in line with the agreed principles outlined in the pay policy for senior postholders of the University as approved by the Board of Governors.
- 2 To consider and approve arrangements proposed by the Vice-Chancellor to increase, reduce or alter the number of or responsibilities of senior postholders, whether on a permanent or temporary basis. Within this remit, nothing is intended here to disrupt the day-to-day running of the University and minor changes need not be brought for approval.
- 3 To assure themselves as to the reasonableness and currency of the contractual terms and benefits for such appointments, for example health insurance, performance criteria and measurement and applicability of any special pay schemes.
- 4 To consider and approve severance payments for senior postholders in the event of premature retirement or dismissal.
- 5 Having regard to the requirements of the OfS, to approve all severance payments to Senior Staff. In addition, to approve all severance payments determined by the Vice-Chancellor for other post-holders that would not be in accordance with policy guidelines established separately by the Board of Governors.
- 6 To 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 for staff.
- 7 Meetings of Senior Postholder Remuneration Committee will include routinely an opportunity for External Governors to meet privately, without the Vice-Chancellor and Clerk present. This private session will be for

formative discussion: subsequent decisions will take place with the Vice-Chancellor and Clerk present. (This opportunity for private discussion mirrors the arrangements for Audit and Quality Committee, and preserves External Governors' independence).

- 8 To report to the Board of Governors in line with the CUC Code of Practice, and as agreed by the Board as follows:
- (i) the Board will receive reports from Senior Postholders Remuneration Committee on its meetings, specifying context, purpose, process and broad outcome of Committee's deliberations;
 - (ii) the names and salaries of individuals will remain confidential and, as is current practice, the outcome of deliberations (usually in the form of a letter from the Chair to the Executive Director of Human Resources) will be bound into the formal record that is the Governors' Minute book, and be available for consultation by any Governor by arrangement with the Clerk;
 - (iii) the minutes of the Senior Postholder Remuneration Committee will continue to be confidential to members and not presented to the Board of Governors.
 - (iv) the minutes of the Senior Postholder Remuneration Committee will be available for consultation by any Governor by arrangement with the Clerk.

University of Portsmouth - Board of Governors

Vice-Chancellor's Remuneration Committee

The Constitution of the Vice Chancellor's Remuneration Committee comprises four External Governor members holding the following offices:

- Chair of the Board
- Deputy Chair of the Board
- Chair of Human Resources Committee
- Chair of Finance Committee

The Vice-Chancellor is explicitly excluded from membership or attendance at meetings of this Committee.

Notes:

The Executive Director of Human Resources attends to provide advice and guidance as required and the Committee can call on other sources of advice as it thinks necessary, for example, the Director of Finance.

The Committee will meet to review its processes at least every three years.

Terms of Reference – last approved by the Board 11 October 2017 Minute 7.7

- 1 To determine and keep under review the pay and conditions of service of the Vice-Chancellor in line with the agreed principles outlined in the pay policy for senior postholders of the University as approved by the Board of Governors.
- 2 To assure themselves as to the reasonableness and currency of the contractual terms and benefits available to the Vice-Chancellor, for example health insurance and performance criteria.
- 3 To consider and approve severance payments for the Vice-Chancellor in the event of premature retirement or dismissal.
- 4 To 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 for the Vice-Chancellor.
- 5 Meetings will include routinely an opportunity for External Governors to meet privately, without the Clerk present. This private session will be for formative discussion: subsequent decisions will take place with the Clerk present. (This opportunity for private discussion mirrors the arrangements for Audit and Quality Committee, and preserves External Governors' independence).
- 6 To report to the Board of Governors in line with the Governance Code of Practice, and as agreed by the Board as follows:
 - (i) the Board will receive reports from Vice Chancellor's Remuneration Committee on its meetings, specifying context, purpose, process and broad outcome of Committee's deliberations;
 - (ii) the outcome of deliberations (usually in the form of a letter from the Chair to the Executive Director of Human Resources) will be bound into the formal record that is the Governors' Minute book, and be available for consultation by any Governor by arrangement with the Clerk;
 - (iii) the Minutes of the Vice Chancellor's Remuneration Committee will continue to be confidential to members and not be formally presented to the Board of Governors;
 - (iv) the Minutes of Remuneration Committee will be available for consultation by any Governor by arrangement with the Clerk.

Principles of Operation

Vice-Chancellor's and the Senior Postholders' Remuneration Committees

The Vice-Chancellor's Remuneration Committee and the Senior Postholders Remuneration Committee will have the following shared principles of operation:

- (i) To enable all Governors to input into the performance review of senior post holders;
- (ii) To reward senior post holders with appropriate salaries, not bonuses;
- (iii) To preserve independence of External Governors by routinely providing a private session within the Committee meetings;
- (iv) To continue to provide reports to the Board in line with the CUC Code of Governance;
- (v) To make decisions and minutes available for consultation by any Governor by arrangement with the Clerk;
- (vi) To consider comparator data in making deliberations as follows:
 - Sector comparator data from UCEA and CUC;
 - External comparator data (provided by the Executive Director of HR);
 - A report from the Vice-Chancellor on the posts rewarded on grade 12 as well as information on salaries of those above the top of grade 12 in order for members to see how higher salaries relate to those on normal scales.

All comparator data to be provided for a three-year time frame if possible.