

Remuneration Committee's Annual Report to Council

1. Introduction

- 1.1 The Committee of University Chairs ("CUC"), published the "Higher Education Senior Staff Remuneration Code" in June 2018. The "CUC Code" is voluntary, but governing bodies of HEI are encouraged to adopt it to demonstrate "leadership and stewardship in relation to remuneration within their institutions, and in doing so help to protect institutional reputation and provide greater assurances to key stakeholders and partners, including the student community and wider society." The University of Sussex, has adopted the CUC Code. The CUC Code requires the submission of a Remuneration Annual Report ("RAR") to Council by the Remuneration Committee (RemCo).
- 1.2 The CUC Code notes that "fair and appropriate remuneration is key to the success and development of the UK HE sector, operating as it does within an intensively competitive global environment." The CUC Code identifies three elements of fair and appropriate remuneration: (i) a fair, appropriate and justifiable level of remuneration; (ii) procedural fairness; and (iii) transparency and accountability. Each element is underpinned by a set of principles. The CUC Code further explains these elements and principles through a series of Explanatory Notes. The principles set out in the CUC Code apply to all remuneration decisions affecting the Vice-Chancellor and senior post holders.
- 1.3 Whilst the Code details a variety of matters that might be included in the RAR, it notes that in different jurisdictions across the UK reporting requirements vary and so the Code is to be used on an "apply or explain" basis. The following RAR for 2017-18 is drafted on that basis and follows the format proposed by CUC. Whilst the University takes seriously the remuneration of all staff, this Report only focuses upon senior staff pay, in accordance with the CUC Code. The senior staff comprise the University's Executive Group (UEG), and the University's Leadership Team (ULT).
- 1.4 UEG comprises the: Vice-Chancellor, Provost, Chief Operating Officer, Pro Vice-Chancellor (Planning & Resources), Pro Vice-Chancellor (Education & Students), Pro Vice-Chancellor (Research), Director of Finance and the Director of Human Resources. ULT comprises UEG members, Heads of Schools, Directors of Professional Services, and a small group of senior academic and professional services staff who hold leadership positions.

2. The University of Sussex Remuneration Committee's Terms of Reference:

- 2.1 During the reporting period under consideration the model that applied was a single Remuneration Committee. Whilst it had always been the case that the Vice-Chancellor would not be present when his own performance was discussed by the Committee, the Vice-Chancellor wanted to further safeguard the independence of the Committee and so formally resigned from the Remuneration Committee on 24 August 2017, as discussed and agreed with the Chair of Remuneration Committee. The Vice-Chancellor was neither a member of the Remuneration Committee nor attended any of its meetings during the year 2017- 2018.

- 2.2 On the 31 July 2018, the University moved to a model to further reinforce the independence of the Remuneration Committee by dividing into two parts. “RemCo A” is the group that considers the Vice-Chancellor’s remuneration; it comprises independent members of Council, and the University Secretary is in attendance (the Vice-Chancellor may not attend). “RemCo B” considers the remuneration of other staff, and the Vice-Chancellor may be asked to advise RemCo B on the performance of specific members of staff (any member of staff who is in attendance and whose remuneration is to be discussed must leave the meeting).
- 2.3 The Terms of Reference for the Remuneration Committee for the period from September 2017 until May 2018 may be found in the Appendix to this Report.

3. Remuneration Committee Membership:

- 3.1 Members of the Remuneration Committee are independent members of Council. Membership of the Remuneration Committee for the period September 2017 until May 2018 is outlined in the Terms of Reference.
- 3.2 The independent members have been selected through a formal external competitive recruitment process, assisted by Executive Search firms. These appointments have been made on the basis of the skills, competence and experience of the successful candidates, and in keeping with prevailing good practice. The Executive Search firms were selected in full accordance with the University’s procurement processes.

4. Remuneration Committee Meetings:

- 4.1 The number and dates of meetings and members’ attendance for the academic year 2017-2018 may be found in the table below:

TABLE 1: Remuneration Committee Meetings for 2017-2018

Date of Meeting	Independent Council Members Present	In Attendance
27th November 2017	Peter Knight, Denise Holt, Chris Brodie, Kirstin Baker	David Cole (Secretary), Sheila Gupta (Director of Human Resources)
7th February 2018	Peter Knight, Denise Holt, Chris Brodie, Mike Fuhr	David Cole, Sheila Gupta
2nd May 2018	Peter Knight, Denise Holt, Chris Brodie, Kirstin Baker	David Cole, Sheila Gupta
27th June 2018 Exceptional Meeting	Peter Knight, Denise Holt, Chris Brodie, Kirstin Baker, Mike Fuhr	David Cole, Sheila Gupta

N.B. In 2017/18 the Vice-Chancellor was not a member of the Committee and was not in attendance at any of the above meetings.

5. University of Sussex approach to remuneration: competitive environment and markets

- 5.1 The overarching imperative for the University is to deliver the ambitious and distinctive vision defined in its Strategic Framework: Sussex 2025 (and the associated Strategies and Key Performance Indicators), in a financially sustainable way. This is a significant challenge given the highly complex and uncertain environment in which the University operates. The primary challenges include increased political and financial uncertainty, both at home and overseas, with implications for future funding; the unknown consequences of Brexit (e.g. on student recruitment and research funding); the risks (including ethical), that arise from operating in a complex interconnected world; growing cost pressures from pensions and inflation; and the moral imperative to treat all staff fairly. These factors will be taken into account when determining senior staff pay to ensure the University's decisions are justifiable and evidence-based. By doing so, it will also provide assurance to the institution's stakeholders that the University is judicious in its use of resources and how it remunerates its most senior staff. These considerations will also be balanced against the need to recruit, motivate and retain a highly capable leadership team, equipped to steward the University to fulfil its strategic ambitions.

The University's Framework

- 5.2 The University has adopted the CUC Code to guide its approach to decisions relating to the remuneration of its senior staff. This is to ensure the University, through the work of its Remuneration Committees, is able to demonstrate that its processes for determining pay for senior University staff are rigorous, transparent and fair. In particular, the University seeks to ensure that: there is clarity with regard to the expected contributions of a role, its responsibilities and the context within which it operates; post holders have the skills and experience necessary to perform their roles effectively; and the evaluation of performance is evidence-based. This is in order to give assurance to the University's students; staff; alumni; funders; the Government; and the public generally, that the institution exercises prudence in the management and use of its funding. In particular, balancing the need to recruit, retain and reward high calibre staff who are able to deliver the best outcomes for students, society and the economy while demonstrating effective use of the University's resources.

Setting remuneration levels

- 5.3 In setting remuneration for both new and existing staff, the University has taken into account the following: remuneration levels paid by competitors; prevailing market rates in the different disciplines and professions from which staff are drawn; wider economic factors such as the cost of living; consideration of internal pay relativities in the interests of fairness and consistency; data from equal pay analysis and gender pay reports (to make adjustments to maintain pay equity); and consideration of the value of the role and individual performance. It is important to note that the University has made many new appointments in the past year and these factors have informed the salary envelopes agreed for new hires by the Remuneration Committee.

Factors informing reward proposals

- 5.4 The University implemented an interim approach for rewarding its senior staff in 2017-2018. The decision to adopt an interim proposal was based on the fact that

there is no Performance Related Pay scheme in place through which to recognise staff performance, nor are members of this group entitled to receive the standard cost of living increase paid across the sector, under the terms of their contracts. This resulted in the anomalous situation of there being no current process through which to reward, motivate and retain senior staff. Rem Co B therefore approved a proposal to apply the annual cost of living uplift to members of the ULT who were not automatically eligible to receive any other increase in pay. The uplift did not apply to the Vice-Chancellor. The payments were made in recognition of the exemplary leadership provided by senior staff during these particularly challenging and uncertain times for University and HE sector, which has in large part contributed to the University's current financial sustainability.

Sources of benchmarking data

- 5.5 The University uses benchmark data for the purposes of comparison with peer institutions, both national and international, and other sectors from whom the University recruits senior staff. Particular consideration is accorded to ensuring pay equity with respect to gender, made possible through the greater availability of benchmark data in Gender Pay Gap reports. The following sources of data have been used in relation to senior staff remuneration: the Universities and Colleges Employer Association's Senior Staff Remuneration Survey; and internal analysis of salary distributions to ensure pay equity.

Job Evaluation and Pension Scheme

- 5.6 The University uses the Higher Education Role Analysis (HERA) job evaluation scheme in determining the level of senior roles. The remuneration package also includes pensions. The two schemes to which most staff in this category will belong are the Universities Superannuation Scheme and (for some Clinical Academics), the NHS Pension Scheme. The University operates a pension pay supplement policy for those staff who may be negatively impacted by pension tax rules. This policy is cost neutral.

Performance Related Pay

- 5.7 It is essential the University is able to reward, retain and motivate senior staff for the value of their leadership. The University is currently developing a policy on Performance Related Pay (PRP), for senior staff for introduction in 2019. There is no PRP scheme in place at present for members of UEG and ULT, however, professorial staff and Grade 10 professional services staff outside these two groups are covered by the Discretionary Pay Review Process available at:

<https://www.sussex.ac.uk/webteam/gateway/file.php?name=dpr-professorial-guide2017.pdf&site=302>

Other elements of remuneration

- 5.8 Professorial staff receive the national annual cost of living increase, but UEG and ULT staff (except Deputy Pro-Vice Chancellors), are not automatically eligible for these payments under present contractual arrangements. Heads of School and certain senior post holders receive allowances connected with their post and temporary increased responsibilities (e.g. Heads of School ordinarily hold office for a

five year term). Rem Co B will look at the remuneration proposition in the round to determine whether the new arrangements may include the annual cost of living increases as well as PRP. Any newly developed PRP Scheme will be based on staff meeting stretch objectives that are linked to the University's Strategic Framework: Sussex 2025 and its values. All proposals will be fully costed and must meet the principle of affordability.

Vice-Chancellor's remuneration

5.9 The total remuneration package of the Vice-Chancellor is reported in accordance with the OfS Accounts Direction.

Vice-Chancellor's remuneration	Year ended 31 July 2018 £'000	1 September 2016 to 31 July 2017 £000
Basic Salary	294	267
Non-taxable benefits: contribution to relocation costs	0	8
Taxable benefits: contribution to relocation costs	0	9
Taxable benefits: death in service and incapacity benefits	7	9
Total	301	293

5.10 There was no other remuneration to the Vice-Chancellor, nor was there any accommodation provided. The current Vice-Chancellor joined the University on 1 September 2016, so the prior year comparative shows his pay for 11 months. It should be noted that one month after the Vice-Chancellor joined the University he elected for the enhanced opt-out of the USS pension scheme, with effect from 1 October 2016. As a consequence of this, the Vice-Chancellor's salary was increased by the amount that would otherwise have constituted the employer's contribution to USS (the death in service benefit is maintained, and reflected in the table above). The enhancement to salary was not – and is not - paid as a separate allowance, hence the table does not show any other payment in lieu of pension.

Pay Ratios

5.11 The following information is supplied in accordance with OfS requirements: the median basic salary at the University for all employees (other than the Vice-Chancellor) is £38,833 p.a. (on a full-time equivalent basis).

- (i) The Vice-Chancellor's basic salary is 7.57 times the median basic salary of staff.
- (ii) The Vice-Chancellor's total remuneration is 6.77 times the median total remuneration of staff (when their pensions' contributions are incorporated).

- 5.12 The above ratio calculations excludes staff such as agency workers because there is no robust process to calculate the full time equivalent basis for these categories of staff. There is no comparator for previous years as this is the first year of reporting; similarly, there are no comparative reports from other institutions in the public domain.

Justification of Vice-Chancellor's remuneration

- 5.13 The total remuneration package of the Vice Chancellor is justified on the following bases. The Vice-Chancellor is responsible for the strategic vision and operational delivery of a complex portfolio of matters, all of which must be managed within a challenging, politically sensitive and increasingly competitive global environment. For the University to deliver the ambitious and distinctive vision defined in its Strategic Framework: Sussex 2025, the overarching imperative will be to ensure its financial sustainability and capacity to invest in its strategic priorities. This is a significant challenge given the uncertain environment in which the University operates, both within the UK and the wider global context, with corresponding implications for future funding of the institution. The remuneration of the Vice-Chancellor reflects the challenges facing him as a leader as he stewards the University to fulfil its strategic ambitions.
- 5.14 The Vice-Chancellor's remuneration shown in the year was approved by the University's Remuneration Committee. In determining the remuneration of the Vice-Chancellor, the Remuneration Committee considers pay benchmarking data in respect of Heads of Institution provided annually by the Committee of University Chairs (CUC). The consideration includes assessment of individual performance based on evaluation and review of performance conducted by the Chair of Council and considered by Remuneration Committee.
- 5.15 The Vice-Chancellor is set key objectives agreed with the Chair of Council against which he is appraised annually. The process is evidence-based and evaluates the value and performance delivered by the Vice-Chancellor against these objectives. The Chair of Council provides a high-level update based on the outcome of the appraisal process to the Remuneration Committee at its first meeting of the new academic year. This year, the report will be made to the newly established Rem Co A, which only deals with the Vice-Chancellor's remuneration in the absence of the Vice-Chancellor, who does not attend any part of the meeting.

6. Institutional performance

- 6.1 The University will promulgate a new Strategic Framework: Sussex 2025, in November 2018 (subject to Council's approval), together with associated Strategies (Learn to Transform, Research with Impact, Engage to Change, and Build on Strengths). The institution also has 16 Key Performance Indicators (KPI). These will underpin the new PRP Scheme to be introduced for members of UEG and ULT, providing shared and personal objectives that are linked to the values and goals of Sussex 2025, associated strategies and KPIs.

Senior Staff pay

- 6.2 The table below details the number of staff at the University of Sussex with a basic salary of over £100,000 p.a. broken down into £5,000 bands, as published in our annual accounts. This differs from prior years' annual accounts disclosures which included other pay elements, including allowances. This information is presented in accordance with the OfS accounts direction, and so it is important to note that staff who joined or left part-way through the financial year are not included in the table. Similarly, where a proportion of the salary is reimbursed by the NHS, only the portion paid by the University has been disclosed.

Basic salary per annum	Number of staff year ended 31 July 2018	Number of staff year ended 31 July 2017
£100,000 - £104,999	16	16
£105,000 - £109,999	9	7
£110,000 - £114,999	4	6
£115,000 - £119,999	4	3
£120,000 - £124,999	8	8
£125,000 - £129,999	5	5
£130,000 - £134,999	3	1
£135,000 - £139,999	2	3
£140,000 - £144,999	2	0
£145,000 - £149,999	1	1
£160,000 - £164,999	2	1
£175,000 - £179,999	1	0
£200,000 - £204,999	0	0
£220,000 - £224,999	1	1
£290,000 - £294,999	1	1
Total	59	53

7. External appointments and expenses

- 7.1 The University's Policy on the retention of income generated from external bodies can be found at:

<https://www.sussex.ac.uk/webteam/gateway/file.php?name=rke-income-distributionpolicy-october-2017.pdf&site=377>

- 7.2 The Vice-Chancellor does not retain any income from external bodies.

- 7.3 The University's Policy on Expenses can be found at:

<http://www.sussex.ac.uk/finance/how/expenses>

8. Severance payments

- 8.1 In making any severance payments the University has regard to the "Guidance on Decisions Taken about Severance Payments in HEI", published by the CUC.

- 8.2 The following information is provided in accordance with the OfS Accounts Direction.

- 8.3 No payments to senior staff in lieu of notice were made during the year 2017-18 (in 2016-17 payments in lieu of notice totalled £230,000).

- 8.4 The total amount of severance payments in the year 2017-18 was £252,810 which was paid across 50 individuals. This figure includes payments for severance, redundancy and loss of office.

- 8.5 No compensation for loss of office was paid to the Vice-Chancellor (or any former Vice-Chancellor) in the 2017-2018 financial year.

Appendix

Remuneration Committee – Terms of Reference 2017-2018¹

1 Key Role

- 1.1 To determine the principles and strategy for the reward of staff. To determine the remuneration of the Officers of the University (Vice-Chancellor, Deputy Vice-Chancellor, Pro Vice-Chancellors, Chief Operating Officer and Secretary) and the framework for the remuneration of the broader University Leadership Team and Professoriate.

2 Terms of Reference

- 2.1 To determine the principles and strategy for the reward of all staff.
- 2.2 To determine the remuneration of all Officers of the University (Vice-Chancellor, Deputy Vice-Chancellor, Pro Vice-Chancellors, Chief Operating Officer and Secretary) either on appointment or in post.
- 2.3 To determine the framework for the remuneration (including PRP) of all Heads of School, Professional Services Directors at grade 10, the Librarian, and the Professoriate, either on appointment or in post; and to receive reports on the application of this.
- 2.4 To receive the outcome of salary reviews for staff in grades 1-9.
- 2.5 To determine individually negotiated termination packages for staff in the University Executive Group and any staff whose salary is in excess of the level specified by HEFCE in its Guidance on Severance Payments to Senior Staff in Higher Education Institutions.

3. Composition

Membership

- Independent member of Council (who is not a Chair of any other sub-committee) (Chair)
- Chair of Council
- Chair of Strategic Performance and Resources Committee
- Chair of Audit and Risk Committee
- One independent member of Council appointed by Nominations Committee

In attendance

- Chief Operating Officer*
- Director of Human Resources*

*Officers to withdraw when matters relating to their remuneration are under consideration.

Deputising for members is not permitted without explicit agreement of the Chair. The Committee cannot further delegate its responsibilities as set out above.

The Vice-Chancellor formally resigned from the Committee on the 24 August 2017.

¹ Last updated version 4.2 – Approved by Chair of Council in September 2017