Remuneration Committee Annual Governance Statement 2017/18

Introduction

1. The University is dedicated to maintaining the highest standards of corporate governance and is satisfied that it complies with the Committee of University Chairs (CUC) Higher Education Senior Staff Remuneration Code (June 2018).

2. Senior remuneration within the University is governed by two sub-committees of University Council: the Remuneration Committee and the Strategic Reward Committee.

3. This statement refers to the Remuneration Committee, which under the delegated authority of Council has the remit for: (i) the setting and monitoring of the Vice-Chancellor’s performance objectives; and (ii) the determination and scrutiny of the Vice-Chancellor’s remuneration (and other terms and conditions of employment).

Post holders within the remit of Remuneration Committee

4. The only post holder that is within the remit of Remuneration Committee is the Vice-Chancellor, Professor Mark E. Smith.

Policy on remuneration for post holders within the remit of Remuneration Committee

5. On an annual basis the Pro-Chancellor (Chair of Council) undertakes a robust appraisal of the Vice-Chancellor’s performance and also proposes forward-looking performance objectives for the next year. A detailed report is prepared, with support from the University’s Director of Human Resources and Organisational Development/Clerk to the Remuneration Committee, and is then presented to the University’s Remuneration Committee along with the latest Committee of University Chairs (CUC), University and Colleges Employers Association (UCEA) and other salary/overall remuneration benchmarking information. Where appropriate, independent specialist advice is also sought from the institution’s external advisors (currently the Korn Ferry Group).

6. Following a detailed discussion regarding the Vice-Chancellor’s performance the Committee discussed remuneration and considered whether any amends to the overall package of remuneration is to be agreed, taking into account:

- the overall performance of the institution;
- the Vice-Chancellor’s contribution and performance;
- the level of additional remuneration (or cost of living increases) afforded to other parts of the university workforce;
- sector positioning and benchmarking information.
Choice of comparator institutions/organisations

7. The Remuneration Committee draws on a variety of data sources in order to benchmark the Vice-Chancellor’s salary:

(a) UCEA Senior Salary Survey, specifically data on Pre-92 Institutions, and Pre-92 institutions within the same institutional income band
(b) CUC Survey of Vice-Chancellors’ remuneration, using both full survey and selected research-intensive universities (see below)
(c) Other top 10 universities and comparator groups/institutions

Policy on income derived from external activities

8. There is a unified policy that covers all University staff, governed by a published policy that has been approved by the relevant University committee, the Finance and General Purposes Committee, and presented to University Council.

Pay multiple of the Head of Institution to the median institution salary

9. The Office for Students has developed a new methodology in 2017/18 for determining the median salary of the workforce in the institution, and therefore the multiple or ratio of the Vice-Chancellor’s salary to that median. Previously the University has used the data provided independently to the sector by UCEA which showed a pay ratio of 8.35:1 in 2017/18, which positioned Lancaster below the median point for pre-92 institutions within the sector and its direct comparator group(s).

10. Based on the recently published Office for Students (OfS) guidance and when using the two formulas prescribed:

(i) the Vice-Chancellor’s basic salary is 8.2 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the institution to its staff, casual workers and contractors;
(ii) the Vice-Chancellor’s total remuneration is 8.6 times the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider of its staff, casual workers and contractors.

It has not been possible to include agency workers within the pay ratios due to the way in which the University systems categorise and deal with payment of these workers.

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1 Durham and Loughborough Universities and the Universities of Bath, Exeter, Surrey, Warwick and York.
2 Agency includes those staff hired through an external agency which the University is invoiced periodically for and is not the direct employer of and also student hires who are engaged as part of our employability agenda through an in-house service based within the University Student Services Department.
### Emoluments of the Vice-Chancellor

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<thead>
<tr>
<th></th>
<th>2017-18</th>
<th>2016-17</th>
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<tbody>
<tr>
<td>Salary</td>
<td>276,000</td>
<td>268,000</td>
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<tr>
<td>Performance related pay</td>
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<td>0</td>
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<tr>
<td>Taxable benefits</td>
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<tr>
<td>Non-taxable benefits</td>
<td>13,000</td>
<td>13,000</td>
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<tr>
<td>Subtotal</td>
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<td>282,000</td>
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<tr>
<td>Pension costs</td>
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<td>48,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>340,000</strong></td>
<td><strong>330,000</strong></td>
</tr>
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### Commentary on any significant changes

11. There have been no significant changes to either the level of remuneration nor any of the related policies in 2017/18. Between 2016/17 and 2017/18 there is the new OfS requirement to place a notional value on accommodation provided to the Vice-Chancellor, listed as the non-taxable benefits line in the above, which was not present in the 2016/17 Financial Statements.

12. The major change has been the change in governance structure, to separate Remuneration Committee, which deals with the Vice-Chancellor’s salary, from Strategic Reward Committee, which deals with other senior staff salaries to ensure full compliance and transparency in relation to the governance relating to the Vice-Chancellor’s and the wider senior staff population.

### Other business considered by the Committee

13. In addition to the remuneration of the Vice-Chancellor, the Committee also discussed the CUC Higher Education Remuneration Code, and the Office for Students Accounts Directions.

### Forward schedule

14. The Remuneration Committee will next meet on 12 July 2019.