

Meeting of the Remuneration Committee

12.30 - 2.30 pm on Tuesday, 6 November 2018
in 1B16 - Technopark, SE1 6LN

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
1.	Welcome and apologies		MLN
2.	Declarations of interest		MLN
3.	Minutes of the previous meeting	3 - 6	MLN
4.	Matters arising	7 - 8	MLN
Items to approve			
5.	Independent review of executive salaries report	9 - 18	MLN
Items 6 and 7 in the absence of the Vice Chancellor			
6.	VC remuneration		JC
7.	VC appraisal and proposed objectives		JC
8.	Executive members' salaries and bonus	19 - 24	DP
9.	Executive members' objectives (to note)	25 - 34	DP
10.	External income policy for senior post holders	35 - 38	DP
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Items to note			
12.	Expenses policy compliance	47 - 48	DP
Background information			
14.	Senior remuneration policy	49 - 52	MK
15.	Average pay rise for all staff	53 - 54	MK
16.	Pay multiples	55 - 56	MK
17.	Sector remuneration guidance	57 - 88	MB

Date of next meeting
2.42 pm on Tuesday, 6 November 2018

Members: Mee Ling Ng (Chair), Jerry Cope, Michael Cutbill and Douglas Denham St Pinnock

In attendance: David Phoenix, Michael Broadway and Markos Koumaditis

No. Item

Pages

Presenter

**Minutes of the meeting of the Remuneration Committee
held at 1.30 pm on Thursday, 12 July 2018
1B16 - Technopark, SE1 6LN**

Present

Mee Ling Ng (Chair)
Jerry Cope
Michael Cutbill
Douglas Denham St Pinnock

In attendance

Pat Bailey
Michael Broadway
Markos Koumaditis
James Stevenson

1. Welcome and apologies

No apologies had been received. The committee noted that the Deputy Vice Chancellor was attending in place of the Vice Chancellor.

2. Declarations of interest

The members of the executive in attendance at the meeting declared an interest in the items on the agenda.

3. Minutes of the previous meeting

The minutes of the previous meeting would be circulated to committee members for approval.

{Secretary's note: the committee approved the minutes of the meeting of 23 November 2017 by email}

4. Matters arising

The committee noted that the purpose of the meeting was to review 'The Higher Education Senior Staff Remuneration Code' recently published by the CUC.

5. OfS accounts direction requirements

The committee noted the OfS accounts direction and the required disclosures on senior staff pay.

6. CUC Remuneration Code

The committee discussed 'The Higher Education Senior Staff Remuneration Code and noted the proposed responses to the criteria in the Code.

The committee recommended that the Board adopt the Code. The Remuneration Committee would report on compliance with the Code in the annual report and accounts.

{Secretary's note: at its meeting of 12 July 2018, the Board of Governors adopted the Code}.

The committee discussed note 8 of the Code in relation to adopting "a single published expenses scheme applicable to all staff". The committee noted that the current travel, subsistence and expenses policy (approved by FPR on 1 May 2018) applied to all LSBU workers.

The Code requirement to receive assurance would be met by an annual report by internal audit of the Vice Chancellor's expenses and one other member of the executive.

7. Committee terms of reference

The committee discussed the revised terms of reference in detail.

The committee noted the definition in the articles of "Senior Post Holder" and approved the additional definition of "Senior Executive" as set out in the terms of reference. The committee noted that it was proposed to extend its remit to include setting the total remuneration package for each Senior Executive.

The committee recommended the revised terms of reference to the Board in October 2018 for approval, subject to minor amendments.

8. Senior remuneration policy

The committee recommended the senior remuneration pay policy to the Board in October 2018 for approval, subject to minor amendments.

9. Independent review of executive salaries

The committee noted the update on the proposed independent review of salaries, including benchmark set, of all members of the executive. The committee noted the intention to report the outcomes of the review to the next meeting.

The appointment of the consultants and their terms of reference will be approved by a panel of the remuneration committee.

10. Average pay increase for all staff

The committee noted the average pay increase for all staff, including annual pay award and increments, of 2.5% for 2016/17.

11. Senior post holders

The committee noted the update and addressed in minute 7 above.

12. **Overview of severance arrangements for senior managers**

The committee approved the draft guidance on severance payments to senior managers, subject to minor amendments. The committee agreed that the Chair of Remuneration Committee should approve any severance agreement to Senior Executives. The committee noted that what is “fair, reasonable and justifiable” executive contracts would be agreed on a case-by-case basis.

13. **Pay multiples**

The committee noted the ratio of the Vice Chancellor’s basic salary to that of all staff is 6:1. The committee noted that the CUC Code required universities to publish this pay multiple annually and the pay multiple for total remuneration with an explanation of how it has changed over time. The committee agreed to report a three year trend.

14. **Template annual remuneration report to Board, 2016/17**

The committee noted the template annual remuneration report to the Board as required under the CUC Code.

The committee noted that the total remuneration of the Vice Chancellor is to be reported broken down by salary, performance related pay, benefits and pension costs. It was agreed that the taxable benefit that the Vice Chancellor receives from the interest-free loan from the university should be disclosed under the benefits section in future. The size of the interest-free loan to the Vice Chancellor is currently disclosed in the accounts.

The committee noted that the Vice Chancellor would bring a proposal on retention of income generated from external bodies to the next committee meeting.

The committee agreed that the annual remuneration report should form part of the annual report and accounts.

15. **Remuneration Committee plan**

The committee noted its revised business plan.

The date of the next meeting would be brought forward to allow the remuneration report to be approved for inclusion in the annual report and accounts.

**Date of next meeting
1.30 pm, on Tuesday, 6 November 2018**

Confirmed as a true record

..... (Chair)

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**REMUNERATION COMMITTEE - THURSDAY, 12 JULY 2018
ACTION SHEET**

Agenda No	Agenda/Decision Item	Action	Officer	Action Status
6.	CUC Remuneration Code	Board to adopt CUC senior pay code	Michael Broadway	Completed
7.	Committee terms of reference	Revised terms of reference to Board for approval	Michael Broadway	Completed
8.	Senior remuneration policy	Senior pay policy to Board for approval	Michael Broadway	Completed
9.	Independent review of executive salaries	Identify and appoint remuneration consultant to report to next meeting	Mee Ling Ng	Completed
14.	Template annual remuneration report to Board, 2016/17	Proposal on retention of external income to next meeting	David Phoenix	Completed
15.	Remuneration Committee plan	Move date of November 2018 meeting	Michael Broadway	Completed

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Agenda Item 5

	INTERNAL
Paper title:	Independent review of executive salaries
Board/Committee:	Remuneration Committee
Date of meeting:	06 November 2018
Author(s):	Peter Smith, Korn Ferry
Sponsor(s):	Mee Ling Ng, Chair of the Remuneration Committee
Purpose:	For Discussion
Recommendation:	The remuneration committee is requested to review the report on executive salaries and agree next steps.

Executive Summary

The review by Korn Ferry covers the remuneration of the Vice Chancellor and senior direct reports: Provost, DVCs, CFO, Group Secretary, CCO.

The remuneration committee is requested to review the report on executive salaries and agree next steps.

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London South Bank University

Review of Remuneration for the University Executive

This report examines the remuneration of seven posts on the redesigned University Executive.

To complete it we have:

- Studied information on LSBU, its strategy, structures and the new senior roles.
- Interviewed the Vice Chancellor and six members of the Executive to understand the organisation, their jobs and the structures and activities below them.
- Evaluated the jobs using the Hay Method of job evaluation. This helps to create a picture of internal relativities and also provides a link to Korn Ferry pay data.
- Examined internal relativities and external pay benchmarks, to identify possible conclusions for pay.
- Considered the options for benchmarking, pay structure and pay levels.

1. Context

London South Bank University (LSBU) provides higher education programmes to around 15,500 students, about a third of them part time and over a half aged 25 and over. It has a proud record of community and business links and has won awards in recent years both for graduate employability and for enterprise. The University has developing commercial interests and substantial involvement overseas, particularly through a partnership with the British University in Egypt but also in Bahrain. In 2016/17 total income was £144 million and there were around 1400 staff.

LSBU has created a group structure, to encompass a family of educational institutions, including academy schools and the acquisition of an FE college and its two sites (to be completed shortly). Roles on the Executive have been reconfigured, with clear and accountable operational heads of the University and of the college and schools. All other posts have responsibilities which involve the whole Group and require collective thinking and working.

The brief was to advise on the level and composition of pay and – with an eye on recent CUC and OFS requirements as well as to good practice – to propose how benchmarking should be done in future.

2. The roles

We have evaluated the Vice Chancellor and six other posts; the Executive Principal in charge of the college and schools was not part of this review. A description of the job evaluation method is at Appendix A and a detailed record of the evaluation lines is in Appendix B.

Normally, this process produces a rank order of jobs of different size. There are also smaller scale differences, which are more about how accountable the job is and how it



feels rather than its fundamental level. In this case, however, we believe that four of the jobs are similar in size: Chief Finance Officer, Chief Operating Officer, Chief Business Officer and Chief Customer Officer. These have been created in their current form by a combination of the group structure and a reduction in the number of jobs on the top team, leading to a redistribution of functions. All these posts differ from their apparent counterparts in other, similarly sized institutions. They are broad in coverage and group-wide in their impact.

We see the Group Secretary as smaller, but it has also increased in complexity with the addition of college governance and further education regulation.

Table 1: Job sizes

Role	Job size
VC	2128
Provost	1486
CFO	1418
CBO	1418
COO	1418
CCO	1418
Group Secretary	1182

3. Internal relativities

There are many reasons why pay might not reflect the weight of the role, such as the track record of the individual, their performance in role and the market rate for the function. In this case, there is also the fact that the salaries quoted relate to responsibilities held before the restructure of the Executive. Nonetheless, a comparison between the two can raise useful questions.

As Table 2 illustrates, the Chief Operating Officer and the Chief Customer Officer are paid less than others at a similar job size. They are both new to post, but care is needed with gender pay. In section 6c below, we comment on progression to a market rate in a new role.

Table 2: Job size and pay compared

Role	Job size	Base	+ last bonus
VC	2128	227,737	245,956
Provost	1486	155,751	165,118
CFO	1418	145,385	158,470
CBO	1418	140,193	151,410
COO	1418	132,000	139,477
CCO	1418	132,000	n/a
Group Secretary	1182	93,974	100,553



4. Higher education pay comparisons

a. Vice Chancellor

There are two main comparisons from published data.

The first is with vice chancellors of post-92 universities of similar size as shown by the 2018 UCEA survey of senior staff. As Table 2 shows, the LSBU salary is 101% of median and total pay is 110% of median. (Total pay here includes annual bonus and the value of non-pension benefits).

This takes no account of regional pay. This is hard to disentangle from size and type of institution but in UCEA data the total pay median for London and the South East is 4% higher than for the UK as a whole. One would therefore expect the London premium to be 5% or more.

Table 3: VC same size post-92, UCEA

	Median	Upper quartile	LSBU
Base	225,000	251,000	227,737
Total pay	234,000	257,000	257,956

The second comparison is with London post-92 institutions. Table 4 below is taken from the Times Higher survey of VC pay for 2018, which took all its figures from 2016/17 annual reports. The table includes all London post-92s except St Mary's Twickenham, whose income is only £50 million.

It should be said that several of these posts have changed hands since this information was published; Kingston was in transition at the time; and the Times Higher quoted the LSBU total pay figure as £270,000. However, on the data in the table, the LSBU salary is 86% of median and total pay (including bonus and non-pension benefits) is 97% of median.

Table 4: VC London moderns, from THE and annual reports

Instution	Income 16/17	Salary	Total pay
Westminster	205	296,000	296,000
Middlesex	198	260,000	289,000
UWL	96	271,000	275,000
Roehampton	118	262,000	265,000
LMU	102	259,000	259,000
UEL	133	250,000	253,000
Greenwich	201	236,655	237,127
Kingston	201	209,000	209,000
Median	165	259,500	262,000
LSBU	144	224,000	254,000



b. Other roles

The UCEA survey is also the main source of higher education pay comparisons for other Executive roles. However, the information is gathered and presented by job title and some interpretation is required to find an appropriate match for roles at LSBU:

- There is no distinct category for Provost roles. They would fit under the heading Deputy Vice Chancellor (DVC) but be among the larger roles in that group.
- There is information a role called Chief Operating Officer but in the survey that is someone who has responsibility for all corporate services.
- There is no direct match for the CFO, nor for the three major new roles. The latter are clearly more than Pro Vice Chancellors (PVCs); that typically involves leading on a strategic theme and/or an academic division. Paul Ivey was a PVC and has taken on estates and facilities (and the associated commercial opportunities); Shan Wareing was also a PVC and has taken on human resources, libraries and ICT as well. One has to conclude that these roles are also closer to DVC in coverage and weight.
- There is a UCEA entry for secretary and registrar, which we include below. In some institutions this might cover areas of student services which are not in the role at LSBU. On the other hand, the comparators will rarely involve dealing with a group structure and its governance.

Table 5 below shows current pay compared to base pay in the survey and table 6 shows total pay, which includes bonuses. In terms of job weight, it might be reasonable to compare the Provost with the upper quartile and the others with median. As for the Vice Chancellor, these are national figures, without the London element included.

Table 5: Base pay comparison, UCEA data, post-92s of similar size

Role	Current base	Lower quartile	Median	Upper quartile
Provost*	155,751	130,000	142,000	153,000
CFO*	145,385	130,000	142,000	153,000
CBO*	140,193	130,000	142,000	153,000
COO*	132,000	130,000	142,000	153,000
CCO*	132,000	130,000	142,000	153,000
Group Secretary	93,974	81,000	94,000	113,000

*All set alongside DVC data

Table 6: Total pay comparison, UCEA data, post-92s of similar size

Role	Current total	Lower quartile	Median	Upper quartile
Provost*	165,118	132,000	150,000	155,000
CFO*	158,470	132,000	150,000	155,000
CBO*	151,410	132,000	150,000	155,000
COO*	139,477	132,000	150,000	155,000
CCO*	n/a	132,000	150,000	155,000
Group Secretary	100,553	81,000	96,000	116,000

*All set alongside DVC data



c. Use of bonuses

LSBU has an annual bonus scheme which pays up to 10% of salary. Payment will only occur if institutional financial targets are met and the amount of payment depends on an assessment of what each individual has done against their targets and how they have gone about their work.

The sector as a whole makes limited use of bonuses – many institutions do not have a scheme in place and the amounts at stake are typically small by general market standards. This is evident from the comparisons above, which always show total pay at LSBU to be more competitive than salary.

Table 7 below summarises sector practice.

Table 7: Bonus practice in HE, source: UCEA

Use of bonuses		
Level	Prevalence	Amount
Vice Chancellor	20%	8%
Top team	15-20%	6%
Senior staff	5-15%	5%

In our experience, bonus schemes are more common in post-92 than in older universities but it is rare for the arrangements to be explained. On such example is the University of the West of England, which has for some time published an annual remuneration statement.¹ This states that there is a limit of 10% and the targets concern financial performance, NSS and retaining or improving the TEF rating.

Among pre-92s, two examples are Exeter² and City, University of London. Exeter has an annual scheme worth up to 20% of salary, half on institutional and half on personal targets. Exeter also had a long term incentive scheme for the period 2014-17.

City³ pays a maximum of 10%, based on assessment against a set of seven institutional performance indicators.

5. Other markets

a. Public sector

There may be some interest in public sector comparisons where the organisations are large and complex. Table 8 below makes approximate comparisons with the NHS and local government. The NHS organisations in here are major providers below the top

¹ <http://www2.uwe.ac.uk/services/Marketing/about-us/pdf/structure-and-governance/Remuneration-Committee-Annual-Report-2016-2017.pdf>

²

https://www.exeter.ac.uk/media/universityofexeter/financeservices/pdfs/Financial_Statements_2016-17.pdf. See page 13 and following

³ https://www.city.ac.uk/_data/assets/pdf_file/0004/386869/City-University-Financial-Statements-2016-17.pdf. See page 11



tier (which typically have income of over £1 billion and a significant role in shaping their healthcare system). The local authorities are London boroughs, which have seen significant downward pressure on chief executive pay since 2010 and therefore have a smaller differential between the pay of those roles and major directors. In neither sector are bonuses common – remuneration is normally just salary and pension.

In the NHS the highest paid directors are in finance, followed by chief operating officer (the broad equivalent of provost). In the local authorities, the highest paid deal with children’s and social services.

Table 8: Approximate comparison with NHS and councils

Role	LSBU total pay	NHS	Local govt
Chief Exec	258,000	200-250,000	180-220,000
Level 1	139-165,000	140-180,000	130-160,000
Level 2	101,000	100-130,000	100-130,000

b. Private sector

We can also look at wider market practice for jobs of similar size. Our comparison here is with the industrial & service sector, which is all organisations on the Korn Ferry database except for financial services.

The principal feature of private sector remuneration at these levels is how much of the package comes from elements other than salary. At the job size of the LSBU Vice Chancellor, over half the total remuneration value (about 55%) comes from a combination of annual bonus, long term incentive and benefits.

Table 9 below shows a simplified comparison of salary and total cash at LSBU against median base and total cash (base plus annual bonus) in the market. Annual bonuses are worth 20-40% of salary, which creates a considerable gap between LSBU pay and this market. Taking account of other aspects of remuneration would simply increase that gap.

We are not suggesting that the University should be using this benchmark but given your commercial ambitions it might be helpful to be aware of the figures. It would be very difficult to attract anyone from the private sector to a senior role on the basis of the remuneration offer, although of course they might be interested in the work.

Table 9: General market comparison, Korn Ferry database for London

Role	LSBU basic salary	Base salary median	LSBU total pay	Total cash median
Chief Exec	224,000	240,000	258,000	335,000
Level 1	132-156,000	155,000	139-165,000	195,000
Level 2	c94,000	130,000	101,000	155,000



6. Comment

a. Benchmarking

We recommend that the main benchmarks for LSBU should be institutions of similar size and type in UCEA data and the London moderns based on annual reports (or the CUC survey information if it is more up to date). The national UCEA data should be interpreted to take account of the London location, i.e. with an addition of 5%.

There are some other institutions with a group structure, such as Coventry, Bolton and UCLAN, but size and location make them an odd choice for remuneration benchmarking (as opposed to comparing structures and other practices).

We recommend that the Committee should track wider market trends and levels, but not use them as a standard comparator for pay setting and review. In future, there might be jobs and recruitment processes for which commercial market comparisons are directly relevant; that should be decided by the Committee at the time.

The conclusions drawn from all comparisons and the market position you choose to adopt should take account of the distinctive challenges and structure of LSBU, your ambition and performance. The Committee will need to decide on the intended market position for both base salary and total pay.

b. Performance related pay

The sector does not make widespread use of annual bonuses but the practice at LSBU – maximum 10% and a mix of institutional and personal targets – is fairly typical of those who do.

There is a case for stretching the maximum payment to provide more room to accommodate a mix of indicators and to allow greater range of award. However, that statement is based more on the general market and on normal remuneration design practice than on higher education in the UK. Any such step would need to be justified based on distinctive local needs and strategy.

One distinctive aspect of the institution is the group structure and the requirement for collective thinking and working. In our view it should be clear how this will be rewarded and there should be room in either salary review or the bonus to do it. It could be seen as part of the 'how' of performance, or it could be a distinct element in the reward policy.

Clearly, the use of bonuses will affect market position; even the current scheme makes LSBU's remuneration more competitive in the sector. This makes it important to have a clear view of the policy intent. For example, salary could be a broadly mid-market rate, with recognition of performance largely delivered through the bonus. But if the bonus addition takes pay above upper quartile, that would have to be justified in terms of upper quartile performance.



c. Individual salaries

The case for pay changes for each individual/job should be based on the interplay between four factors:

- a. Whether the job has changed recently and if so by how much. All the individuals under review have seen a certain amount of change, but some more than others, and some start better paid than others.
- b. Whether pay is out of step with the market – which in turn calls for some interpretation of the market data, and of the intended relationship between base and total pay and the benchmark group.
- c. Whether pay is out of step with internal relativities, taking account also of a and d.
- d. The stage of development and performance of the individual. If you have a market rate in mind for a role, it would be reasonable to expect a good performer to reach that point in three years; an outstanding performer would get there quicker. Your policy should clarify whether, beyond that point, performance can continue to be reflected in salary progression or should all be contained in bonus.

In our view, the most obvious questions are: whether the VC's salary is a little low compared to the benchmarks; what adjustments are appropriate for the Chief Operating Officer and Chief Customer Officer; and whether the Group Secretary salary fully reflects the current role. However, these comments take no account of context and performance issues with which the Committee will be familiar.

In relation to the Chief Operating Officer and the Chief Customer Officer, we would expect some addition to salary now and a move to the full agreed market rate over the next two or three years, depending on performance.

Peter Smith
Korn Ferry
October 2018

	CONFIDENTIAL
Paper title:	Executive Salaries: Recommendations regarding base pay for Executive members with effect from 1 August 2018
Board/Committee	Remuneration Committee
Date of meeting:	06 November 2018
Author:	Prof. Dave Phoenix – Vice Chancellor
Executive sponsor:	Prof. Dave Phoenix – Vice Chancellor
Purpose:	To agree recommendations for Senior Executive salaries
Recommendation:	To agree the recommendations for Senior Executive salaries.

Executive Summary

After review against the latest benchmark data from the UCEA Senior Staff Remuneration Survey 2017 I am making the recommendations below on base pay.

For comparison the standard pay increase for staff is 2% the average increment increase for all staff is 0.9% but only 32% of our staff received increments last year.

Recommendations:

Name	Uplift	Bonus
P Bailey	2%	3%
R Flatman	2.9%	7%
S Waring	2.9%	5%
N Louis	2.9%	8%
P Ivey	2%	9%
J Stevenson	2.9%	7%
I Mehrtens	2%	7%

1. Recommended Base Pay Proposals for Senior Post Holders:

The following show pay against the UCEA median which is based on all HEIs taken from the 2017 survey

1.1 Provost

Current Pay £155,771

UCEA median £142,380

Proposal	2% pay award	2.9% (inc. average increment increase)
New Pay	£158,886	£160,288

UCEA median for Deputy Vice Chancellor includes role of Provost.

1.2 Chief Finance Officer (Richard Flatman)

Current Pay £145,385

UCEA median £142,910

Proposal	2% pay award	2.9% (inc. average increment increase)
New Pay	£148,293	£149,601

UCEA median is benchmarked against Chief Operating Officer, as there is no category for Chief Finance Officer. Richard has phased down to 0.8FTE. I would like to propose a retention up lift of 2.9% although recognize this is above median

1.3 University Secretary (James Stevenson)

Current Pay £93,974

Note: No appropriate benchmark data available. UCEA survey role defined as Secretary incorporates a bigger remit normally including Registrar.

Proposal	2% pay award	2.9% (inc. average increment increase)
New Pay	£95,853	£96,699

Given the increased complexity of governance with SBA and SBC 2.9% is recommended

2. Recommendation of Base Pay for Executive members:

2.1 Chief Operating Officer (Ian Mehrtens)

Current Pay £124,616

UCEA median £142,910

Proposal	2% pay award	2.9% (inc. average increment increase)
New Pay	£127,108	£128,230

The Chief Operating Officer's base pay is below the benchmark; however, the role has a wider remit in other HEIs by being accountable for most or all professional services hence no recommendation for change.

2.2 COO/DVC Education (Shan Wareing)

Current Pay £132,000

UCEA median £124,008 (PVC level), £142,910 (COO level), £142,380 (DVC)

Proposal	2% pay award	2.9% (inc. average increment increase)
New Pay	£134,640	£135,828

Given the expansion of role Shan was given a 6% pay uplift in may backdated to 1st April (124,616 to 132, 000). I would recommend 2.9% to 135, 828. Whilst below benchmark a COO normally covers most of the professional services and this role doesn't.

2.3 CBO/DVC Innovation (SBUEL) (Paul Ivey)

Current Pay £140,193

UCEA median £124,008 (PVC level), £142,910 (COO level), £142,380 (DVC)

Proposal	2% pay award	2.9% (inc. average increment increase)
New Pay	£142,997	£144,259

2.4 Chief Customer Officer (Nicole Louis)

Current Pay £132,000

UCEA median £142,910 (COO level)

Proposal	2% pay award	2.9% (inc. average increment increase)
New Pay	£134,640	£135,828

Given the expansion of role Nicole was given a 6% pay uplift in may backdated to 1st April (124,616 to 132, 000). Whilst below benchmark a COO normally covers most of the professional services and this role doesn't. I would recommend 2.9% to 135, 828.

2.5 Executive Principal Lambeth (Fiona Morey)

Current Pay £115,000

UCEA median N/A

Proposal	2% pay award	2.9% (inc. average increment increase)
New Pay	£117,300	£118,335

Fiona only started in September but a base pay award of 2% is recommended. This will need review once SBC comes into operation

3.0 Bonus recommendations.

Name	Rational	Recommendation
P Bailey	There has been good engagement with the Executive team and strong leadership in areas such as HR and the recent change proposal. On the 4 core objectives though the first relating to NSS and progression has not been met and the other 3 partially only met. There is a requirement moving forward for greater strategic focus. -Needs development/good	3%
R Flatman	Overall a good year with three objectives met and two partially met. Significant support on developments such as Lambeth and the associated transactions and financial control had been maintained during a financially challenging year. Further work was required in terms of the effectiveness of the planning process and there was scope for further development of the effectiveness of FMI and the leadership structure – Good/strong	7%
S Wareing	two objectives met, two partially met and one not met. Exceptional progress in areas such as employability and good progress with complex projects such as LEAP. There is a need to ensure issues are not subject to 'over think' and strategic oversight is maintained on key areas.- good	5%
P Ivey	3 objectives met and one partially Met. Research and Enterprise income targets had been met and a strong pipeline generated leading into this year. International recruitment was on target and EU was well above target. External feedback was strong and achievement of the Gold Armed Forces Covenant a significant achievement – strong/outstanding	9%
N Louis	Three objectives were met one partially met and two not met but in one case this was due to lack of resource. Significant performance in terms of team development and recruitment. In additional Nicole had picked up the MAT and had a transformational impact in a short space of time. – Good/strong.	8%
J Stevenson	Four objectives met with good work around new complex areas like GDPR and Lambeth DD. One partially met and a final one linked to operation of the new model not met and to be - carried over. Advice on areas such as FE developments had been pragmatic and supportive although the service at times feels as though there could be more done to instill pace - possibly by having less reliance on external agencies with some work - Good/strong	7%
I Mehrtens	Two Objectives have been met and two partially Met. Ian has worked as a key member of Executive and shown signification flexibility and professionalism during the recent structural changes and supported hand over to colleagues. He continues to make significant contribution to areas such as EDI but also in discussions around 'group' Good/strong	7%

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Agenda Item 9

CONFIDENTIAL - RESTRICTED TO MEETING PARTICIPANTS	
Paper title:	Executive Objectives 2018-2019
Board/Committee:	Executive
Date of meeting:	31 October 2018
Author(s):	Dave Phoenix, Vice Chancellor
Sponsor(s):	Dave Phoenix, Vice Chancellor
Purpose:	For Information
Recommendation:	The committee is requested to note executive objectives for Senior Executives

Core Strategic Leadership objectives for the next year	Measures of Success
Enhance institutional reputation	<ul style="list-style-type: none"> • LT outcomes showing improvements above the average improvement in the comparator group for Times/Guardian/CUG • Target improvement in NSS +2% overall – teaching moved 81st percentile (Times) to 70th; student experience moved 79th percentile to 70th (Times) • Seek to enhance outcomes at Lambeth via improvements in achievement rates and deficit reduction • provide 3 year plans for research centres with institutional summary to FPR • improve student achievement rates in MAT • plan for LEAP development approved by MPIC and implemented
Ensure financial sustainability of the organisation and diversity of income streams	<ul style="list-style-type: none"> • Delivery of outturn in line with agreed budget • Seek to reduce Lambeth deficit in line with Plan (note only 6mths of control in year) • Increase TNE income and Uk/OS/EU recruitment to agreed target • Increase enterprise income to target and deliver strategic business plan for SBE • Business case for Bharani JV to Board and CPD activity developed • Increase year 1 progression to 75% plus (+5%)
Respond to staff engagement survey	<ul style="list-style-type: none"> • Local and institutional plans reviewed and actioned • Work on staff networks and diversity continued, Athena Swan and Disability matters submitted • HRD appointed and OD plan in place • Increase pulse survey engagement score c2%
Seek to develop the family of educational Institutions concept	<ul style="list-style-type: none"> • Implement new executive structure and group structure • implement new mgt structure in SBA and SBC • Approve new 2020-25 strategy • Develop sub plans at institutional levels
Develop Estates Master plan	<ul style="list-style-type: none"> • Investigate and develop funding options for southwark and if viable business case presented to Board for approval • Plan for Vauxhall development and works started • Commercial estates officer in place • Option appraisal for havering completed

Provost

Core Strategic Leadership objectives for the next year	Measures of Success
<p>Develop and implement Teaching and learning strategy with evidence of in year impact</p> <p>Develop research strategy and baseline for REF</p> <p>Develop university business plan and underpinning leadership structure</p> <p>Ensure financial sustainability of the organisation and diversity of income streams</p> <p>Respond to staff engagement survey and develop workforce plan</p>	<ul style="list-style-type: none"> • Target improvement in NSS +2% overall – teaching moved 81st percentile (Times) to 70th; student experience moved 79th percentile to 70th (Times) • Increase year 1 progression to 75% plus (+5%) • Implement changes to Yr0 to improve progression and effectiveness • Provide 3 year plans for research centres with institutional summary to FPR • Meet Research income targets • Plan agreed and in place • Develop remit for university senior mgt Team and work with Deans and key partners to create effective leadership • Utilise RACI or other means to ensure clear accountabilities in core areas • Delivery of outturn in line with agreed budget • Develop new curriculum areas such as medicine and review of current provision with CCO • Work with COO to develop workforce plan and identification of future shape and skills needs

Core Strategic Leadership objectives for the next year	Measures of Success
<p>Ensure financial sustainability of the organisation and diversity of income streams</p> <p>Develop business planning process</p> <p>Pensions</p> <p>Seek to develop the family of educational Institutions concept</p> <p>Develop Estates Master plan</p>	<ul style="list-style-type: none"> • Delivery of outturn in line with agreed budget • Maintain strong financial control • Align planning and resource mgt more closely • Develop KPIs and implement balance score cards • Deliver proposals for consideration by the Board • develop new senior mgt team for FMI and ensure effectiveness of function and clear accountabilities through use of RACI or other means • Develop financial strategy with Executive Colleagues alongside 5 year forecasts • Support financial turn around of Lambeth and its acquisition • Identify funded and sustainable financial solutions to estates development across Vauxhall, Clapham and Southwark

Core Strategic Leadership objectives for the next year	Measures of Success
<p>Enhance institutional reputation</p> <p>Ensure financial sustainability of the organisation and diversity of income streams</p> <p>Seek to develop the family of educational Institutions concept</p> <p>Develop Estates Master plan</p>	<ul style="list-style-type: none"> • Seek to improve Int Barometer performance • Delivery of SBE outturn in line with agreed budget • Increase TNE income and Uk/OS/EU recruitment to agreed target • Increase enterprise income to target • Business case for Bharani JV to Board and CPD activity developed • Develop Int Year 0 concept • Deliver strategic business plan for SBE • Ensure Governance agreement in place with SBE/LSBU • Develop senior mgt Team for SBE and ensure responsibilities are clear through RACI or other means • Investigate opportunity for IBC Egypt • Plan for Vauxhall development and works started • Commercial estates officer in place • Option appraisal for havering completed • JV developments for Southwark taken forward to Board • Complete Purfleet Option appraisal to executive

CCO

Core Strategic Leadership objectives for the next year	Measures of Success
<p>Enhance institutional reputation</p> <p>Ensure financial sustainability of the organisation and diversity of income streams</p> <p>Develop student support plan</p> <p>Seek to develop the family of educational Institutions concept</p> <p>Develop Brand and underpin with proof points</p>	<ul style="list-style-type: none"> • improve student achievement rates in MAT • Active recruitment targets across streams such that income aligns with budget • Develop outreach strategy • Support reenrollment process to increase progression working with Provost • Work with COO/DVC on student Journey as part of LEAP • Develop OFFA submission • implement new mgt structure in SBA and ensure clarity of role by use of SoD/RACI • enhance business effectiveness in MAT and develop SLA, business cycle and consistent process etc. to support the core environment • identify benefits from group, support progression and development of programs to help join up group structures • brand engagement plan in place across group

Core Strategic Leadership objectives for the next year	Measures of Success
<p>Drive transformation in students' experience and cost control to support corporate strategy, to underpin a financially viable future for LSBU.</p> <p>LEAP connects portfolio design, qualifications framework, information and reporting, systems and infrastructure, student journey and organisational culture</p> <p>Transform educational provision to drive inclusive education, closure of the attainment gap, student experience improvements and a distinctive proposition, supporting our future TEF and REC submissions</p> <p>Lead digital strategy developments to implement an infrastructure to securely underpin the corporate strategy, and provide a foundation for cost efficient and effective professional services, and supportive flexible educational provision.</p> <p>Promote a skilled and highly motivated workforce</p>	<p>Progress approved by LEAP Board and financial investment by MPIC</p> <ul style="list-style-type: none"> •Scope redefined to address relationship with Lambeth <p>•Progress approved by LEAP Board and financial investment by MPIC.</p> <ul style="list-style-type: none"> •Scope redefined to address relationship with Lambeth <p>•Progress towards resubmission of the Race Equality Charter mark based on Advance HE</p> <ul style="list-style-type: none"> •feedback •Regulatory frameworks in place across FE and HE with relevant teams •Drive improvements in Assessment and Feedback •Support Provost in NSS improvements <p>•An approved digital strategy, with resource allocation</p> <ul style="list-style-type: none"> •Develop a Group people strategy •Increase pulse survey engagement •Progress capability, achievements and reputation of LSBU Family as centre for excellence in vocational education

Executive Principal SBC

Core Strategic Leadership objectives for the next year	Measures of Success
Enhance institutional reputation	<ul style="list-style-type: none"> • Seek to enhance outcomes at Lambeth via improvements in achievement rates and deficit reduction (targets??) • Review course portfolio to ensure developments in line with vision. • Review potential of T levels • Develop health opportunities with Dean/PVC health
Ensure financial sustainability of the organisation and diversity of income streams	<ul style="list-style-type: none"> • Delivery of outturn in line with agreed budget • Seek to reduce Lambeth deficit in line with Plan • Deliver AEB to budget • Develop in-house apprentice activity via IPTE
Develop university business plan and underpinning leadership structure	<ul style="list-style-type: none"> • Plan agreed and in place • Develop remit for SBC senior mgt Team and work with Deans and key partners to create effective leadership • Utilise RACI or other means to ensure clear accountabilities in core areas
Review workforce requirements	<ul style="list-style-type: none"> • Work with OD to assess key areas such as engagement, stress H&S etc
Seek to develop the family of educational Institutions concept	<ul style="list-style-type: none"> • Investigate and develop funding options for southwark and if viable business case presented to executive for approval • Develop understanding of SBA offer and opportunities
Develop Estates Master plan	<ul style="list-style-type: none"> • Work with Exec Director Estates to develop masterplan • Work with CBO on plan for Vauxhall development and works started

Group Secretary

Core Strategic Leadership objectives for the next year	Measures of Success
<p>To advise Jerry Cope, chair of the board, as required and to review the succession plan for the board of governors.</p> <p>Seek to develop the family of educational Institutions concept</p> <p>Ensure effectiveness of organisational governance.</p> <p>To provide legal support and due diligence for key projects such as overseas developments and FE.</p>	<ul style="list-style-type: none"> • Feedback from the chair • To advise the chair of the board on the implementation of LSBU group governance arrangements • To develop governance agreements between subsidiaries and LSBU for executive and Board approvals • To support DD of initiatives such as SBC/Lambeth • Ensure roles in executive are clear and by use of RACI or other means that accountabilities are understood • 2019 to plan a board governance effectiveness review • To lead the development of SLAs between organizations • Develop business cycle for group • Feed back for Executive colleagues

COO

Core Strategic Leadership objectives for the next year	Measures of Success
Seek to develop the family of educational Institutions concept	<ul style="list-style-type: none">• Where possible complete OE projects and ensure mgt in place for remaining• Hand over estates to PI• Develop project structure for Vauxhall and manage engagement with Lambeth College, council and GLA• Lead development of transition plan for Lambeth and hand over to FMorey• Advise on Southward estates development

	INTERNAL
Paper title:	Executive External Income
Board/Committee:	Remuneration Committee
Date of meeting:	06 November 2018
Author(s):	David Phoenix, VC and CEO
Sponsor(s):	David Phoenix, VC and CEO
Purpose:	For information
Recommendation:	The committee is asked to note the declarations of Executive incomes from external activity.

Executive Summary

1. Executive members are expected to declare any external income.
2. The expectation is that external income will not be retained but on occasion permission to retain income may be given by the Vice Chancellor.
3. Where staff are appointed on a fractional basis it may well be external activity can be accommodated outside of contract but it should still be declared to avoid conflict.
4. Current Executive declarations are listed below.

Executive member	Earnings from outside bodies	Payments received	Nature of payments
Dave Phoenix	Million+ Chair	Unremunerated post	
	Science Museum Group Trustee	Unremunerated post	
	British University in Egypt Trustee	Unremunerated post	
	South Bank Academies Trust member and Chair	Unremunerated post	
	National Centre for Universities and Businesses Board member	Unremunerated post	
	Museum of Science and Industry	Unremunerated post	

	UUK Board member and UKK Funding Policy Network Chairs	Unremunerated post	
	Royalties from publications	£107.02	Paid into LSBU hardship fun
Richard Flatman	Non-exec member of the Board and Chair of Audit Committee at South West London & St George's Mental Health NHS Trust (SWLSTG)	£6,157 per annum	Fractional role and Board membership part of agreed CPD. Payment retained by agreement with the VC.
Ian Mehrtens	Trustee and Co-founder of Queer Britain Museum Ltd	Unremunerated post	
Nicole Louis	Non-executive director / trustee of ACS group of schools	Unremunerated post	
	Member of an Advisory group called GLC	\$400 per hour for providing ad hoc consultancy.	VC agreed retention given activity is done outside working hours.
	Member of Alpha Sights, an advisory group.	£200 per hour for providing ad hoc consultancy.	VC agreed retention given activity is done outside working hours.
James Stevenson	None		
Pat Bailey	Member of the TEF panel	£4000	VC agreed fee would be retained given that activity is carried out outside working hours and was supported via University as direct benefit to LSBU.
Paul Ivey	1. GLA, ESIF Committee	No payment	
	2. London Higher, AccessHE committee	No payment	
	3. Emirates Aviation University (Dubai), Visiting Professor - no payment	No payment	

Shân Wareing	University College London Institute of Education guest lecturer	£150 gross p.a.	Retained previously but henceforth will waive fee
	Unite Foundation Trustee	No payment	
	Advance-HE guest speaker	No payment	
	UK Student Information Advisory Group - NSS Sub Committee	No payment	
Fiona Morey	None		

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	INTERNAL
Paper title:	Draft Annual Remuneration Report
Board/Committee:	Remuneration Committee
Date of meeting:	06 November 2018
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	Mee Ling Ng, Chair of the committee
Purpose:	For Approval
Recommendation:	The committee is asked to approve the draft annual remuneration report

Executive Summary

As part of 'The Higher Education Senior Staff Remuneration Code' by the CUC, the Remuneration Committee must now produce an annual remuneration report to the Board. The University must also publish a remuneration annual statement, which ideally will be the same as the report provided to the Board, either within the annual reports and accounts or as standalone document.

As agreed at the Remuneration Committee meeting of 12 July 2018, the remuneration report will form part of the annual report and accounts.

The attached draft report has been drafted based on the template provided by the CUC.

Areas that need to be completed (highlighted in the draft) following separate discussions and approvals at this meeting are:

- Benchmark set for Senior Executive salaries;
- Summary of Vice Chancellor's performance for 2017/18;
- Level of Vice Chancellor bonus;
- Total amount of bonuses to be paid to Senior Executives; and
- LSBU's policy on the retention of income generated from external bodies.

The Committee is requested to approve the draft report for inclusion in the annual report and accounts.

The CUC template report is included in background paper.

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Annual Remuneration Report

Introduction

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

The Remuneration Committee is responsible for determining the remuneration of the Vice Chancellor and Senior Executives covered by the Senior Remuneration Policy as approved by the Board. Senior Executives are the senior leaders of LSBU who report directly to the Vice Chancellor. The Senior Executives for the year are listed on page x.

During the year, the Board adopted the CUC Remuneration Code and approved the senior remuneration policy.

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 2017/18

The members of the committee for the year 2017/18 were Mee Ling Ng (Committee Chair), Jerry Cope (Chair of the Board), Carol Hui (resigned 20 February 2018), Michael Cutbill (appointed 1 April 2018) and Douglas Denham St Pinnock. All members of the committee are independent governors. No members of the executive are members of the committee. The Vice Chancellor is invited to committee meetings where appropriate, such as to make recommendations on pay award and bonuses of senior executives. No member of the executive was present for any discussion on their own remuneration.

Committee meetings 2017/18

The committee met twice in the 2017/18 academic year.

- 23 November 2017
- 12 July 2018

The committee also met on 6 November 2018 to consider Senior Executive performance and remuneration for 2017/18.

Approach to remuneration of all staff in 2017/18 and for 1 August 2018 onward

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

At LSBU, 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 University and take appropriate responsibility for its development. Embracing and integrating equality and diversity and inclusion is fundamental to our success and growth as an institution of higher education.

Senior Remuneration

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

LSBU's Senior Remuneration Policy 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;
- Overall remuneration levels, including benefits, will be comparable, taking account of geography and affordability, to a set of equivalent institutions, decided by the Remuneration Committee but independently validated and, if appropriate, refreshed at least once every three years;
- 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 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 VC's base salary and total remuneration to the median earnings of the Institution 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 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

An independent review of the benchmark set for Senior Executive salaries was carried out by Korn Ferry in September 2018 and a revised benchmark set approved by the Committee at its meeting of 6 November 2018. The Hay Group Guide Chart Profile Method of job evaluation was used to set the benchmark for all Executive level jobs and salaries.

The benchmark set for Senior Executive salaries is:

[to be filled in following Korn Ferry report and confirmation from Rem Co]

Institutional performance, 2017/18

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 strategic outcomes.

Institutional performance including areas measured by the key performance indicators plus individual objectives are reviewed as part of individual Senior Executive's appraisals and are overseen by the Remuneration Committee.

Vice Chancellor performance, 2017/18

This assessment of Vice Chancellor performance is for academic year 2017/18. The bonus awarded based on performance for academic year 2017/18 will be paid in financial year 2018/19 and appear in next year's accounts.

The Vice Chancellor's performance was reviewed by the Chair of the Board as part of the appraisal process.

[Draft to be finalised following the Remuneration Committee meeting of 6 November 2018]

- Looking at key results both against key KPIs for the University, which the Vice Chancellor oversees, and against the specific personal objectives (marked *) set for the Vice Chancellor by the Remuneration Committee:

- *The finances remain sound and meeting target in a difficult environment;

- Recruitment in 2018, particularly through clearing, has been above expectation, where others have struggled, thanks to the growing reputation of the University;
- Progression rates were below target:
- *League table rankings have generally improved above the average improvement by comparators; a TEF silver has been achieved;
- *The transaction for Lambeth College, as part of the family of educational institutions' strategy, has been all but secured, meeting the Board's 'red lines';
- LSBU secured the Times employability award for an impressive 2nd consecutive year;
- Costs have been reduced to counterbalance lower student numbers in 2017/18, and invest in key areas;
- *The staff engagement score improved, and staff networks and diversity issues were progressed to plan;
- *Progress has been made on the Estates strategy with a masterplan approved by the Board, but some business cases are not yet in place;
- There has been strong and confident leadership both internally and externally, including representing LSBU to key stakeholders;

So in summary LSBU has had an excellent year at a particularly complex and challenging time and is well placed to thrive in a potentially tough environment going forward, The Board recognises the importance of maintaining a strong and determined leadership team at this time].

During the year under review the Vice Chancellor was awarded a bonus of [£18k – to be approved by the remuneration committee meeting of 6 November 2018] (a bonus of £18k was awarded for performance in 2016/17).

Performance related pay, 2017/18

Under the Senior Remuneration Policy, the Vice Chancellor and Senior Executives are eligible for a bonus of up to 10% of salary as set out in the remuneration principles above. The award of bonuses is reviewed and approved by the Remuneration Committee.

During the year, the University met its overall financial target and seven members of the executive were eligible to receive a bonus. Following the appraisal process and a report on performance against individual measurable objectives, the Committee approved [eight] (including the Vice Chancellor) bonuses totalling [£x] (for 2016/17 performance, seven bonuses were awarded totalling £61k).

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 2017/18 will be determined in November 2018 (15 bonuses were awarded totalling £65k in 2017/18 for performance during 2016/17).

Total Remuneration: Vice Chancellor

The table below sets out payments to the Vice Chancellor during 2017/18 with a comparison to 2016/17. The bonus figure relates to performance in the previous year.

Emoluments of the Vice Chancellor	2017–18	2016–17
	£'000	£'000
Salary	228	224
Performance related pay	18	18
Taxable benefits	10	12
Subtotal	256	254
Pension scheme contributions or payments in lieu of pension contributions	33	34
Total	289	288

During the year the governors (as Members in general meeting) approved the extension of a loan to the Vice Chancellor of £350k for a further five years to October 2023 (full details of the loan are included in note 8(E)). Included in taxable benefits is the value of the benefit to the Vice Chancellor of the loan.

Pay Multiple

The Vice Chancellor's basic salary is 6.17 times the median pay of staff across the organisation, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Vice Chancellor's total remuneration salary is 6.23 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 provider to its staff.

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

Year	Ratio – basic salary	Ratio – total remuneration
2017/18	6.17	6.23
2016/17	6.33	6.24
2015/16	6.17	6.25

The ratios do not include agency workers

The LSBU ratio compares to the sector ratio of 6.8 (based on UCEA data for 2017).

External appointments, expenses and severance

[TO BE APPROVED by Remuneration committee 06/11/2018] - LSBU's policy on the retention of income generated from external bodies is that Executive members are expected to declare any external income. The expectation is that external income will not be retained but on occasion permission to retain income may be given by the Vice Chancellor (in the case of the Vice Chancellor by the Chair of the Board). Where Executive members are appointed on a fractional basis it may well be external activity can be accommodated outside of contract but it should still be declared to avoid conflict. The Remuneration Committee now reviews these declarations].

In 2017/18 the Vice Chancellor donated royalties to the University's hardship fund. The Vice Chancellor did not undertake any external remunerated activity.

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

In 2017/18 the Vice Chancellor's expenses totalled £3k. These are payments on a purchasing card for travel, accommodation, meals, entertaining and other authorised costs. In addition, work-related travel costs of £18k were booked through the University's central travel buying team for the Vice Chancellor.

During the year, the Remuneration Committee approved a policy on severance arrangements.

	CONFIDENTIAL
Paper title:	Executive Expenses annual report
Board/Committee	Remuneration
Date of meeting:	6 November 2018
Author:	Natalie Ferer, Financial Controller
Sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To report on the expenses of the VC and other members of the Executive.
Recommendation:	That the Committee notes this report

Summary

The CUC published a code for the remuneration of Senior staff in June 2018. The code identifies that the approach to expenses can be a sensitive topic, and generally institutions should identify normal business costs separately and adopt a single published scheme that applies to all staff. The purpose of this report is so that Remuneration Committee can receive assurance that the expenses scheme at LSBU is operating effectively when it comes to the expenses of the VC and other senior staff.

The university operates procedures for expenses that apply to all staff and there are no separate procedures applying to the VC or other senior staff. Only costs incurred in the course of business expenses are reimbursed or paid for using university funds.

Definitions:

Expenses: payment for travel, accommodation, meals, entertaining and other costs of a more personal nature than other business costs, or items paid by the employee and reimbursed by the University.

Senior Staff: for the purposes of this exercise will be the VC and members of the University Executive.

Spend 1/8/17 – 31/7/18

	Payroll expenses *	Purchasing cards **	Travel buying ***	Cash expenses ****	Total
David Phoenix	-	3,257.35	£18,246.55	-	£21,503.90
Pat Bailey	720.79	1,392.03	-	-	£2,112.82
Paul Ivey	159.75	3,702.82	£41,035.38	-	£44,897.95
Shan Wareing	163.12	-	£4,738.47	-	£4,901.59
Ian Mehrtens	-	-	£577.30	-	£577.30
James Stevenson	-	-	-	-	-
Richard Flatman	-	794.76	£150.00	-	£944.76
Mandy Eddolls	417.18	-	£389.95	-	£807.13

*	Payroll expense includes all items paid by the employee and reimbursed by through the payroll
**	Purchasing cards include payment for travel, accommodation, meals, entertaining and other authorised costs
***	Travel buying includes all items booked for senior staff through the University's travel buying team
****	Cash expenses include all items paid by the employee and reimbursed in cash.

Recommendation

The Committee is requested to note this report.

	INTERNAL
Paper title:	Senior remuneration policy
Board/Committee:	Remuneration Committee
Date of meeting:	06 November 2018
Author(s):	Jerry Cope, Chair of the Board
Sponsor(s):	Mee Ling Ng, Committee Chair
Purpose:	For information
Recommendation:	The committee is requested to note the policy

Executive Summary

Under element 3b of 'The Higher Education Senior Staff Remuneration Code' by the CUC, universities are expected to publish a "policy on the remuneration for post holders within the remit of Remuneration Committee".

The attached policy has been reviewed by the Remuneration Committee and approved by the Board at its meeting of 18 October 2018.

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LSBU SENIOR REMUNERATION POLICY

Context

1. LSBU is a large complex organisation requiring both general and specialised leadership to fulfil its strategic objective of being seen as the leading Modern University in London. This will require 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.
2. To achieve this objective, LSBU needs to attract, retain and motivate a strong calibre of leaders with competitive remuneration packages, within both a London and International labour market. But the approach to senior remuneration must be framed within a context that all LSBU employees are, and feel, remunerated fairly for their roles and responsibilities and enthusiasm for the success of the University.
3. In setting remuneration, LSBU has adopted and complies with the CUC Higher Education Senior Staff Remuneration Code (2018). Any non-compliance with the Code will be explained in the annual remuneration report.
4. This policy focuses on senior pay to be determined by the Remuneration Committee, which will focus as a minimum on the Vice Chancellor and leaders reporting to the Vice Chancellor, but may include other senior leaders as appropriate; the policy should be compatible with remuneration policy throughout the University.

Principles

5. Within this context the following principles for senior remuneration apply:
 - Remuneration will be applied to ensure that it is discrimination free, and based on job scale and complexity;
 - Overall remuneration levels, including benefits, will be comparable, taking account of geography and affordability, to a set of equivalent Institutions, decided by the Remuneration Committee but independently validated and, if appropriate, refreshed at least once every three years;
 - 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 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 VC's base salary and total remuneration to the median earnings of the Institution 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 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

Process

6. The Remuneration Committee is a sub-committee of the Board of Governors. It is comprised of independent governors, including the Chair of the Board. It is chaired by a senior independent governor. The Vice Chancellor is not a member of the committee.
7. The Remuneration Committee:
 - oversees the process of determining remuneration as set out through the principles above;
 - determines each Senior Executive's starting package, pay award and any performance bonus, based on recommendations from the Vice Chancellor (for his/her direct reports) and the Chair of the Board (for the Vice Chancellor);
 - approves this remuneration policy;
 - approves the design of any bonus scheme for Senior Executives;
 - approves the objectives of the Vice Chancellor for performance bonuses;
 - monitors the objectives being set for performance bonuses of Senior Executives;
 - approves a policy on external income for Senior Executives;
 - approves a policy on severance arrangements for Senior Executives; and
 - any other areas as defined in its terms of reference.
8. The Committee will have a particular role to play in ensuring application of this policy is discrimination-free.
9. The Vice Chancellor will be invited to present her/his recommendations to the Remuneration Committee on his/her direct reports. He/she will not be present for any discussion on her/his own remuneration. The Vice Chancellor will not have a role in the final decision on pay and other awards for themselves or other senior executives.
10. The Remuneration Committee Chair will report as a minimum annually to the full Board on how the Committee has carried out its duties, and this annual report will be included in LSBU's Report & Accounts.

	CONFIDENTIAL
Paper title:	Average pay rise for all staff
Board/Committee:	Remuneration Committee
Date of meeting:	06 November 2018
Author(s):	Markos Koumaditis, Acting Director of HR
Purpose:	For Information
Recommendation:	The Committee is requested to note the average pay rise for all staff

Executive Summary

Under the senior remuneration policy as approved by the Board at its meeting of 18 October 2018 “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”.

The standard pay increase for staff for 2018/19 is 2%. The average increment increase for all staff is 0.9% but only 32% of our staff received increments last year.

The committee is requested to note the average pay rise for all staff when reviewing executive salaries.

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	INTERNAL
Paper title:	Pay multiples
Board/Committee:	Remuneration Committee
Date of meeting:	06 November 2018
Author(s):	Markos Koumaditis, Acting Director of HR
Sponsor(s):	Shân Wareing, COO and DV
Purpose:	For Information
Recommendation:	The Committee is requested to note the pay multiples

Executive Summary

The Office for Students' expectation for transparency on senior pay has been clearly articulated in its recent publication of "Regulatory Advice 9 – Accounts Direction. Guidance on preparing and publishing financial statements" - 19 June 2018.

In the guidance, "The pay multiple must be expressed as the head of the provider's remuneration divided by the median pay at the provider". The pay multiples required are for the basic salary and total remuneration.

As set out in the annual report and accounts and the annual remuneration report, the pay multiple of the Vice Chancellor's earnings against the median of all staff for the academic year 2017/18 is 6.17 for basic salary and 6.23 for total remuneration.

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

Year	Ratio – basic salary	Ratio – total remuneration
2017/18	6.17	6.23
2016/17	6.33	6.24
2015/16	6.17	6.25

The ratio does not include agency workers.

The committee is requested to note the pay multiples.

	INTERNAL
Paper title:	Background documents
Board/Committee:	Remuneration Committee
Date of meeting:	06 November 2018
Purpose:	For Information
Recommendation:	The Committee is requested to note the background information

Executive Summary

The attached background information is to help the committee understand the context and sector guidance when making its decisions. Documents included are:

- HE Senior Staff remuneration code
- Template annual report to governing body
- OfS accounts direction, 2017/18

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The Higher Education Senior Staff Remuneration Code

June 2018

Introduction

1. Fair and appropriate remuneration is key to the success and development of the UK's HE sector, operating as it does in an intensively competitive global environment¹. To support members of governing bodies, this Higher Education Senior Staff Remuneration Code (the Remuneration Code) has been developed after wide consultation with CUC members and HE stakeholders. This Code will be reviewed every four years, in consultation with the sector.
2. The different regulatory frameworks of the HE sector within the UK mean that governing bodies will need to decide how best to use the Remuneration Code. Institutions are bound by the relevant accounts direction issued by their regulator. In addition, Welsh institutions have agreed to more extensive senior pay reporting and are working towards developing annual pay policy statements. In Scotland, institutions will use the Scottish Code of Good Higher Education Governance², which indicates how institutions should meet the key principles of good practice in remuneration. They may choose to use the Remuneration Code as an additional source of accepted good practice. In England, in assessing compliance with conditions of registration, the Office for Students (OfS) may consider the provider's information about the pay of senior staff within its audited financial statements and whether the governing body publishes its written commitment to comply with this Code.
3. By visibly adopting the Remuneration Code, governing bodies 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.
4. The use of this Code is voluntary, and it can be used by all HE providers. Some elements may not be appropriate for all providers, for example, those with an owner-manager who may take a dividend from the business. The Remuneration Code is therefore to be used on an 'apply or explain' basis. This means that institutions should either publicly state that they have abided by the minimum requirements of this Code, or should provide meaningful explanations for non-compliance and how their alternative arrangements meet its principles.
5. Throughout this Code the word 'must' identifies the CUC's view of the minimum requirements for an institution wishing to comply with it. Governing bodies are free to meet 'must' statements by the means and mechanisms appropriate to their own context. The Remuneration Code is supported by a set of explanatory notes which are designed to assist governing bodies in developing their own responses. The use of the word 'should' identifies good practice which institutions are encouraged to adopt.
6. The principles outlined in this Code apply to all remuneration decisions affecting the emoluments of the Vice-Chancellor and other senior post holders as prescribed in constitutional documents or by the governing body as being within the remit of the Remuneration Committee. In England, they also apply to senior staff as defined in the OfS accounts direction.

¹ The context the sector operates within is explored in greater detail at www.universitychairs.ac.uk/wp-content/uploads/2018/06/HE-Remuneration-Code-Context.pdf.

² www.scottishuniversitygovernance.ac.uk

The Remuneration Code

Elements of fair and appropriate remuneration

Fair and appropriate remuneration³ requires three key elements – namely that there is:

- I. a fair, appropriate and justifiable level of remuneration;
- II. procedural fairness; and
- III. transparency and accountability.

Each of these elements are underpinned by several supporting principles.

Element I - A fair, appropriate and justifiable level of remuneration

Remuneration starts with a clear understanding of the responsibilities, context and expected contribution of a role and the attributes required to undertake that role effectively. Fair and appropriate remuneration then recognises an individual's contribution to their institution's success in that role, and is sufficient to recruit, retain and motivate staff of appropriate calibre in the context of the market for that role, balanced with the need to demonstrate the achievement of value for money in the use of resources.

Principles

- a) Remuneration should take account of the context in which the institution operates.
- b) Remuneration must be linked to the value, based on a number of components, delivered by an individual acting within a role.
- c) Remuneration must consider matters of equality, diversity and inclusion with a view to ensuring that there are no biases pertaining to gender or other protected characteristics within the pay structure.
- d) Institutions should be clear about what they expect from staff, i.e. what is 'normal' and what is 'exceptional'. There should be a robust and consistent process for setting objectives and assessing an individual's contribution.
- e) Remuneration can vary according to individual performance.⁴
- f) Awards made in respect of annual bonus arrangements linked to the achievement of specific annual objectives should not be consolidated.
- g) From time to time the value of a role may need to be reviewed in light of changing conditions, sustained performance, experience etc.
- h) Non-achievement of an individual's expected contribution should have consequences.
- i) Any severance payments must be reasonable and justifiable.
- j) There should be a clear and justifiable rationale for the retention of any income generated by an individual from external bodies in a personal capacity.

³ Remuneration includes not only basic salary but also bonuses, expenses and other allowances, and the monetary value of benefits in kind including housing and cars, etc.

⁴ The decision to apply performance-related pay is for individual HEIs to make. Nothing in this Code is intended to imply that performance-related pay is a requirement for fair and appropriate remuneration.

The Remuneration Code

Element II – Procedural fairness

Procedural fairness requires remuneration to be set through a process that is based on competent people applying a consistent framework with independent decision making using appropriate evidence and assessing the value of roles, the context and individuals' performance in them.

Principles

- a) Senior post holder remuneration should be determined in the context of each institution's approach to rewarding all of its staff, and in particular, consideration should be given annually to the rate of increase of the average remuneration of all other staff.
- b) No individual can be involved in deciding his or her own remuneration.
- c) Remuneration Committees must be independent and competent.
- d) The head of the institution (HoI) must not be a member of the Remuneration Committee.
- e) Remuneration Committees, when considering HoI remuneration, must be chaired by a lay governor who is not Chair of the governing body.

Element III - Transparency and accountability

The process for setting remuneration must be transparent. For senior post holders there must be an institutional-level justification for remuneration that relates to the competitive environment, the value of the roles and institutional performance. The remuneration of the HoI must be separately justified, published and related to the remuneration of all staff within the organisation.

Principles

Each institution must publish a readily accessible annual statement, based on an annual report to its governing body, containing:

- a) a list of post holders within the remit of Remuneration Committee;
- b) its policy on the remuneration for post holders within the remit of Remuneration Committee;
- c) its choice of comparator institutions/organisations;
- d) its policy on income derived from external activities;
- e) the pay multiple of the HoI and the median earnings of the institution's whole workforce, illustrating how that multiple has changed over time and, if it is significantly above average, an explanation of why; and
- f) an explanation of any significant changes.

Explanatory notes

1. Institutions will be able to apply the above principles in a way that is appropriate to their circumstances. These notes do not expand the Remuneration Code, but are intended to assist institutions' discussions as to their use of it.
2. Remuneration must be linked to the value delivered by an individual acting within a role. The value of a role is based on a number of components and criteria for assessing the value of roles, which could include:
 - complexity (scale and range of decision making, collaboration and contact, time-critical activity);
 - impact (on students, research, finances and people, including employees, partners and citizens);
 - discretion (level of accountability, degree of autonomy and decision-making authority);
 - levels of experience;
 - knowledge and skills (including specialist skills) required;
 - reputation and academic/professional credibility needed for the role;
 - an ability to recruit and retain key staff; and
 - external comparisons.
3. To retain staff, Remuneration Committees need to consider market position – typically by looking at a set of comparator institutions/organisations. The choice of these comparators will usually be linked to institutional strategy. Comparator selection may depend on the type of post being filled – for example private and public sector comparisons are often used for professional services staff, whereas NHS and international HEI comparisons may be more appropriate for certain academic staff.
4. Institutions also need to reflect on what the consequences will be in instances where individuals do not deliver the expected contribution. Consequences for individuals will depend on the nature of the remuneration package offered, but might mean no uplift of basic pay, no participation in bonus payments⁵, or some form of performance management.
5. For institutions that use metric-driven performance assessments, a balance should be achieved between the achievement of institutions' long and short-term objectives and, for those that use them, the impact of team-based assessments.
6. In making severance payments, institutions must meet their contractual obligations and be able to explain the reasons for any payments made. HEIs will need to carefully consider any advice that is available from regulators, together with detailed CUC advice. Remuneration Committees have specific responsibilities in this area – in particular, ensuring that contracts agreed with senior post holders are fair, reasonable and justifiable and do not expose the institution to significant potential liabilities, for example by being able to explain notice periods of more than six months.
7. It is important for institutions that staff represent them on various bodies and boards and carry out academic and civic responsibilities at other organisations, e.g. non-executive director roles. There should be a clear and published policy on any such activity that generates additional income for the individual from the external body. Hols are generally unlikely to be able retain significant sums, but any income they do retain needs to be disclosed and explained.
8. The approach to expenses can be a sensitive topic, and generally institutions should identify normal business costs separately and adopt a single published scheme that applies to all staff. Remuneration Committees should receive assurance that the scheme is operating effectively.

⁵ If available

9. Remuneration Committees must be comprised of people who are independent of the institution's management – primarily lay members of the governing body⁶. Membership must include the institution's Chair, but not the HoI⁷. Remuneration Committees should be able to engage external independent expertise if required.
10. Institutions must publish the multiple of the remuneration of the HoI and the median earnings of the institution's whole workforce annually. This should be accompanied by sufficient explanation and context to enable useful comparison. They may also wish to publish other multiples, such as the ratio of HoI salary to:
 - a) the median academic salary;
 - b) the median professorial salary; and
 - c) the median professional staff salary.

To assist with consistency and comparison, the definition for the multiple should be based on the methodology used by UCEA which is available from its website. Institutions will adopt a range for their chosen pay multiples that they regard as acceptable. The diversity of the sector means these ranges will differ between institutions. Institutions that position themselves in the highest quintile will need to be prepared to provide additional explanations to stakeholders and their regulators as to why this is desirable.

11. Each year, Remuneration Committees must produce an annual remuneration report to the governing body. That report will need to provide sufficient assurance to the governing body that the Remuneration Committee has effectively discharged its responsibilities.
12. The institution must also publish a readily available remuneration annual statement. This may be within the annual report and accounts (as an Annex or separate section), or it may be published as a standalone document. Ideally, the published annual statement will be the same as the annual remuneration report to the governing body. However, modifications may be necessary to preserve commercial confidentiality.

⁶ They may choose to co-opt additional external members with particular expertise.

⁷ The HoI may be invited to attend meetings but must not be present for discussions affecting him or her. Where the Remuneration Committee is responsible for all senior staff pay, including professors, it is very important that the HoI is present at meetings to discuss these staff and ensure that the Committee's decisions are well informed.

A Possible Outline Structure for a Remuneration Annual Report to the Governing Body

The Higher Education Senior Staff Remuneration Code requires the production of a Remuneration Annual Report. This document sets out a possible approach to producing this report, but it is not prescriptive and is not intended to be additional to the Code. Institutions will need to decide themselves the format that is most suitable for their circumstances. This is not an exhaustive list of options, nor a minimum requirement, since not all elements need be included. It is only included to assist institutions in their consideration of how best to report to their governing bodies.

Introduction

1. Terms of reference: including a hyperlink to and/or appendix containing the Committee's terms of reference. These might refer to the determination of remuneration and conditions of senior posts holders as defined by the institution – they may also refer to oversight of a framework for remuneration and conditions of all staff, monitoring of remuneration and conditions of senior staff and any responsibilities placed on them for oversight of pay gaps based on gender, ethnicity and other protected classifications.
2. Remuneration Committee membership: including names of members for the period, and how they were appointed. This section might also include any use of consultants and details of any other relationship between consultants with the institution.
3. Remuneration Committee meetings: the number and dates of meetings in the previous year, members' attendance and links to minutes.

Approach to remuneration

4. A statement as to the competitive environment and markets that the institution operates within.
5. A statement of any fundamental principle agreed by the governing body that will guide all decisions related to remuneration. This will probably reference the balance to be struck between recruiting, retaining and rewarding the best staff possible, in order to deliver the best outcomes for students, society and the economy while demonstrating effective use of resources.
6. The approach to setting remuneration, e.g. the extent to which economic factors, competition, market rates, roles, skills, experience and individual performance influence decision making.
7. The type of factors used in considering reward proposals for senior post holders. These include, but are not limited to:
 - a) performance in support of the institution's strategic objectives in areas such as:
 - teaching
 - management and administration
 - leadership of staff
 - partnerships and external relations internationally, nationally and locally
 - major initiatives and projects;

- b) the size and complexity of the institution;
 - c) the nature of the HE markets and issues of recruitment and retention;
 - d) the institution's objectives in relation to the diversity of the workforce; and
 - e) that some staff are on NHS salaries not determined by the university.
8. Where the data that supports these indicators is drawn from, possibly including:
- a) Higher Education Statistics Agency data;
 - b) the Universities and Colleges Employer Association's Senior Staff Remuneration Survey;
 - c) the Committee of University Chairs' Vice-Chancellor Salary Survey;
 - d) reports and reviews from external experts commissioned by the committee;
 - e) internal analysis of salary distributions.
9. A reference to the use of job evaluation schemes, pay awards and pension schemes that are applicable to the rest of the workforce.
10. A description of which (if any) staff are eligible for performance-related pay, in accordance with the institution's policy on performance pay – with a hyperlink to and/or appendix containing that policy, and a statement as to whether these staff also receive annual inflation uplifts to their base pay.
11. A statement on the approaches used by the committee in benchmarking positions offered within comparator institutions.
12. The current value for the university of the pay multiple of head of institution (HoI) earnings against the median of all staff, plus details of how this indicator has changed over an extended period of time, e.g. the last five years.

Institutional performance

13. Set out a summary of how some of the key factors listed in point 7 changed over the year. For those that have explicit performance pay schemes, this might include:
- a) a note that performance pay is based on key indicators set out in the institutional strategy (with a hyperlink provided);
 - b) a list of key indicators used for remuneration purposes;
 - c) a statement as to whether performance pay is released if financial targets are not met;
 - d) a statement as to whether staff are put into different groups of performance (for example: 'satisfactory', 'good' or 'exceptional');
 - e) a statement of how the institution has performed in the previous year in respect to the indicators used for performance pay;
 - f) total of funds distributed for performance pay;
 - g) an aggregate disclosure of how the funds for performance pay were distributed;
 - h) an assessment of the Vice-Chancellor's performance using the same metrics; and
 - i) a table outlining total remuneration for the Vice-Chancellor, with year-on-year comparator data, as follows:

Emoluments of the Vice-Chancellor	2017-18	2016-17
Salary		
Performance related pay		
Benefits		
Subtotal		
Pension costs		
Total		

External appointments and expenses

- 14. A statement and hyperlink to and/or appendix containing the policy on the retention of income generated from external bodies.
- 15. The amount retained from external bodies by the HoI.
- 16. A statement about the expenses policy, with a hyperlink and/or appendix, and a statement about the extent of expenses incurred.

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Regulatory advice 9: Accounts direction

Guidance on preparing and publishing
financial statements

Reference **OfS 2018.26**

Enquiries to regulation@officeforstudents.org.uk

Date of publication **19 June 2018**

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Introduction

1. This accounts direction sets out the information that providers are required to include in their audited financial statements.
2. **Part A** applies to higher education institutions that were funded by the Higher Education Funding Council for England (HEFCE) from 1 August 2017 to 31 March 2018 and are funded by the Office for Students (OfS) from 1 April 2018 to 31 July 2019. For these providers this accounts direction should be read alongside the following:
 - ‘Regulatory notice 2: Regulation up to 31 July 2019 of providers that were previously funded by HEFCE’ (OfS 2018.12)
 - ‘Terms and conditions of funding for higher education institutions’ (OfS 2018.15)
 - ‘Regulatory advice 5: Exempt charities’ (OfS 2018.23).
3. **Part B** applies to higher education providers not covered by Part A that have been registered by the OfS and so are subject to ongoing condition of registration E3 relating to ‘Accountability’. For these providers this accounts direction should be read alongside the regulatory framework (OfS 2018.01) and whichever one of the following applies:
 - ‘Regulatory Notice 2: Regulation up to 31 July 2019 of providers that were previously funded by HEFCE’ (OfS 2018.12)
 - ‘Regulatory Notice 3: Regulation up to 31 July 2019 of providers currently designated for student support by the Secretary of State’ (OfS 2018.13)
 - ‘Regulatory Notice 4: Regulation of newly registered providers up to 31 July 2019’ (including Tier 4 only providers) (OfS 2018.14).
4. This accounts direction will remain in force until it is replaced by the OfS.
5. Please contact regulation@officeforstudents.org.uk with any queries about the requirements set out in this document.

Part A: Requirements for higher education institutions funded by HEFCE or the OfS up to 31 July 2019

6. The OfS's regulatory framework, published in February 2018 (OfS 2018.01), will not come fully into force until 1 August 2019. The secondary legislation that enacts the Higher Education and Research Act 2017 (HERA) makes provision for the powers and duties of HEFCE (under the Further and Higher Education Act 1992) and the Director of Fair Access to Higher Education (under the Higher Education Act 2004) to be exercised by the OfS until all of its new powers are commenced.
7. This means that higher education institutions previously funded by HEFCE will be funded and regulated by the OfS from 1 April 2018 to 31 July 2019 through a combination of the powers and duties 'carried forward' from the previous legislation and the new HERA powers and duties. This is called the 'transition period'.
8. During the transition period a higher education institution is required to comply with the terms and conditions of funding that are in place under the 'carried forward' powers (OfS 2018.15). Those terms and conditions that relate to the preparation of the audited financial statements are:
 - a. In preparing their audited financial statements, higher education institutions must follow the OfS's accounts direction and the 'Statement of recommended practice: Accounting for further and higher education' (SORP), or any successor to the SORP, in preparing their audited financial statements for the years ended 31 July 2018 and 31 July 2019. If there are any inconsistencies between the requirements of the SORP and this accounts direction then this accounts direction will prevail.
 - b. If a higher education institution is also a company limited by guarantee, this direction is subject to the requirements of the Companies Act.
 - c. The latest date for submission of higher education institutions' audited financial statements for 2017-18 is Monday 3 December 2018. Earlier submission is welcome.
 - d. The external auditors must report whether in all material respects:
 - i. The financial statements give a true and fair view of the state of the higher education institution's affairs, and of its income and expenditure, gains and losses, changes in reserves and cash flows for the year. They should take into account relevant statutory and other mandatory disclosure and accounting requirements, and OfS and Research England requirements.
 - ii. The financial statements have been properly prepared in accordance with the financial reporting standards (FRS102) and the 'Statement of recommended practice: Accounting for further and higher education', and relevant legislation.
 - iii. Funds from whatever source administered by the higher education institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.

- iv. Funds provided by the OfS and Research England have been applied in accordance with these terms and conditions and any other terms and conditions attached to them.
 - v. The requirements of the OfS's accounts direction have been met.
 - e. In their management letters or reports, auditors should have regard to the specific requirements of the terms and conditions, such as compliance with those relating to increases in financial commitments thresholds, or other issues of non-compliance, as set out in paragraph 23 of Annex C of 'Terms and conditions of funding for higher education institutions' (OfS 2018.15).
9. In addition, all registered providers are required to comply with the ongoing conditions of registration that are imposed from the date of their registration. This includes condition E3:

Condition E3: Accountability

Condition E3	<p>The governing body of the provider must:</p> <ul style="list-style-type: none"> i. Accept responsibility for the interactions between the provider and the OfS and its designated bodies. ii. Ensure the provider's compliance with all of its conditions of registration and with the OfS's accounts direction. iii. Nominate to the OfS a senior officer as the 'accountable officer' who has the responsibilities set out by the OfS for an accountable officer from time to time.
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10. The regulatory requirements set out in paragraphs 8 and 9 above each include a requirement to comply with the OfS's accounts direction. During the transition period, compliance with the requirements set out in Part A of this document for the financial year ending on 31 July 2018 will satisfy both of these requirements.

Disclosures about senior staff pay

11. In the strategic guidance issued under section 77 of HERA, the Secretary of State has asked the OfS to:
- a. Drive better value for money and transparency in relation to senior staff pay.
 - b. Review and republish HEFCE's guidance on severance pay and the remuneration of senior staff in light of recent developments affecting senior staff pay, including the Committee of University Chairs' (CUC's) fair remuneration code (published in June 2018).
 - c. Ask providers to publish their pay ratios, in order to aid transparency.
12. This accounts direction addresses the Secretary of State's guidance.
13. This accounts direction focuses primarily on the remuneration of heads of providers. The OfS will address issues of senior staff pay beyond that of the head of provider in 2019.

Senior staff pay

14. Providers must have regard to the 'Higher education senior staff remuneration code'¹ published by the CUC.
15. A provider must include the following disclosures in the 'staff costs' note to its financial statements:
 - a. The number of staff with a basic salary of over £100,000 per annum, broken down into bands of £5,000. Providers do not need to include staff who joined or left part-way through a year but who would have received salary in these bands in a full year. Where a proportion of the salary is reimbursed by the NHS, only the portion paid by the institution must be disclosed. Providers must include this as a table in order to help users of the financial statements to be able to understand this information – see below for an example.

Basic salary per annum	Number of staff (2016-17)	Number of staff (2017-18)
£100,000-£104,999	3	4
£105,000-£109,999	5	7
£110,000-£114,999	4	3
£115,000-£119,999	10	12
...

- b. Full details of the total remuneration package for the head of provider. Providers must disclose separate values for:
 - i. Basic salary.
 - ii. Payment of dividends (including, but not limited to, dividends paid in lieu of salary).
 - iii. Performance-related pay and other bonuses awarded during the financial year, including any deferred payment arrangements and separate disclosure of any amounts waived.
 - iv. Pension contributions and payments in lieu of pension contributions.
 - v. Salary sacrifice arrangements.
 - vi. Compensation for loss of office.

¹ See www.universitychairs.ac.uk/wp-content/uploads/2018/06/HE-Remuneration-Code.pdf.

- vii. Any sums paid under any pension scheme in relation to employment with the provider.
 - viii. Other taxable benefits. Providers must state the nature of each of the taxable benefits and the estimated money value of each of the benefits (in particular company cars, subsidised loans including mortgage subsidies, and subsidised accommodation).
 - ix. Non-taxable benefits. Providers must disclose the nature of each of the non-taxable benefits and the cost to the provider of providing each of them. The non-taxable benefits that must be disclosed are those that are available only to senior members of staff or are available only to the head of the provider. This may include contributions to relocation costs, living accommodation and any other tangible benefit to which the provider should be able to ascribe a cost of provision of the benefit. Providers do not need to disclose non-taxable benefits that simply flow from being a member of the provider's staff and that are given to, or as a minimum are available to, all members of staff.
 - x. Other remuneration. Providers must disclose the nature of any other types of remuneration and the cost to the provider of providing each type of remuneration. The types of remuneration may include compensation for loss of benefits, ex-gratia and remuneration payments while on sabbatical, and payments for consultancy work that are made to the individual (via the provider), rather than to the provider, for work delivered using the provider's resources.
- c. A justification for the total remuneration package for the head of the provider. The justification must include reference to the context in which the provider operates, and be linked to the value and performance delivered by the head of the provider. It should contain an explanation of the process adopted for judging their performance.
 - d. The relationship between the head of provider's remuneration and that for all other employees, expressed as a pay multiple. All other employees includes academic and non-academic staff. The pay multiple must be expressed as the head of the provider's remuneration divided by the median pay at the provider (on a full-time equivalent basis). This should be calculated across all staff pay, not just the academic staff. For example, the head of a provider earns £250,000 per annum as their basic salary and receives a further £75,000 per annum in other remuneration (as set out in paragraph 15b above) and the median salary at the provider is £35,000 per annum (on a full-time equivalent basis) and staff receive a further median of £5,000 in other remuneration (such as overtime, bonuses). In this example, the pay ratios that need to be disclosed are as follows:
 - i. The head of the provider's basic salary is 7.1 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.
 - ii. The head of the provider's total remuneration is 8.1 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.
16. Where there is a change in the head of the provider (including the appointment of an acting head) either between years or during a year, providers must make the disclosures set out separately for each individual, and provide the start and end dates of appointments for both the

current financial year and previous financial year. Where a previous head of provider continues to receive remuneration in an employed or consultancy role after they cease to be the head of the provider, such as in an advisory or sabbatical role, this should be included in the total with an explanation.

Severance payments

17. Providers must have regard to the 'Guidance on decisions taken about severance payments in HEIs'² published by the CUC.
18. A provider must include the following disclosures in the 'staff costs' note to its financial statements:
 - a. The total amount of any compensation for loss of office paid across the whole provider (irrespective of the basic salary of an individual), and the number of people to whom this was payable for any of the following occurrences:
 - i. Loss of office.
 - ii. Loss of any other office connected with the provider's affairs.
 - iii. Loss of any other office connected with the affairs of a parent or subsidiary undertaking of the provider.
 - b. The amount of compensation for loss of office paid to the head of the provider. The disclosure should also state separately the amount of compensation paid for loss of office at the provider as one figure and, as a separate figure, the total compensation paid for loss of office at any of the provider's parent or subsidiary undertakings or any other office(s) connected to the provider's affairs.
 - c. Where the compensation paid to the head of the provider includes benefits other than cash, the provider must disclose the nature of the benefit in detail and the estimated money value of the benefit. The source of funding for any compensation paid or benefits given must be disclosed.
 - d. Where the compensation paid to the head of the provider includes additional pension contributions relating to the employment with the provider (whether these are voluntary contributions or otherwise), the amount of the pension contribution must be disclosed.

Disclosures about management and governance

19. The requirements set out below are driven by the terms and conditions of funding during the transition period. For financial years ending on or after 31 July 2019, we expect the requirements to mirror the reduced requirements set out in Part B of this accounts direction.

Corporate governance

20. A provider must include a 'statement of corporate governance' in its financial statements. The statement of corporate governance must set out a description of the provider's corporate governance arrangements and a statement of the responsibilities of the governing body. It must

² See www.universitychairs.ac.uk/wp-content/uploads/2018/06/HE-Remuneration-Code-Severance.pdf.

explicitly relate to the period covered by the financial statements, and the period up to the date of approval of the audited financial statements.

21. A provider may combine the statement of corporate governance with the statement of internal control (see below) provided that all of the disclosures required are made.

Internal control

22. A provider must include a 'statement of internal control' in its financial statements. The statement of internal control relates to a provider's arrangements for the prevention and detection of corruption, fraud, bribery and other irregularities. It must include an account of how the following principles of internal control have been applied:
- a. Identifying and managing risk should be an ongoing process linked to achieving the organisation's objectives.
 - b. The approach to internal control should be risk-based, including an evaluation of the likelihood and impact of risks becoming a reality.
 - c. Review procedures must cover business, operational and compliance risk as well as financial risk.
 - d. Risk assessment and internal control should be embedded in ongoing operations.
 - e. During the year the governing body or relevant committee should receive regular reports on internal control and risk.
 - f. The principal results of risk identification, risk evaluation and the management review of the effectiveness of the arrangements should be reported to, and reviewed by, the governing body.
 - g. The governing body should acknowledge that it is responsible for ensuring that a sound system of internal control is maintained, and that it has reviewed the effectiveness of these arrangements.
 - h. The statement of internal control must set out any significant internal control weaknesses or failures that have arisen during the financial year or after the year end but before the financial statements are signed. Where appropriate, information about actions taken or proposed to deal with significant internal control weakness or failure should be set out. The following questions will help to identify whether the provider has experienced a significant internal control weakness or failure:
 - i. Might the weakness or failure prevent achievement of a strategic objective or target?
 - ii. Could the weakness or failure have a material impact on the financial data reported in the financial statements?
 - iii. Could the weakness or failure result in a diversion of resources from another important aspect of the provider's business?
 - iv. Does the provider's audit committee advise in its annual report to the governing body that the weakness or failure is significant?
 - v. Do the internal or external auditors regard the weakness or failure as significant (e.g. is it a high priority recommendation or a qualification of the internal or external auditors' annual opinions)?

- vi. Could the weakness or failure, or its impact, attract significant public interest, or seriously damage the reputation of the provider and/or the sector?
23. The statement of internal control must explicitly relate to the period covered by the financial statements, and the period up to the date of approval of the audited financial statements.
24. A provider may combine the statement of internal control with the statement of corporate governance (see above) provided that all of the disclosures required are made.

Disclosures for an exempt charity

25. The OfS's approach to regulation is set out in its regulatory framework (OfS 2018.01). Beyond those requirements that apply to all registered providers regardless of whether or not they are charities, the OfS will place minimal additional obligations on exempt charities. This is a different approach to that taken by the Higher Education Funding Council for England. The OfS's requirements reflect its general duties in section 2 of HERA to have regard to the need to use its resources in an efficient, effective and economic way and to be proportionate in its regulation, including targeting regulatory activities only at cases in which action is needed. This means that providers that are exempt charities are not required to make disclosures in their financial statements that are not required under charity law.
26. A provider that is an exempt charity is required to:
- a. Disclose its charitable status in its audited financial statements – this means that it must state that it is an exempt charity.
 - b. Produce financial statements in accordance with the OfS's requirements, as well as in accordance of any relevant Statement of Recommended Practice.
27. Further information about the OfS's approach to its role as principal regulator of those higher education institutions that are exempt charities is published in regulatory advice 5 (OfS 2018.23).

Report from the external auditor

28. A provider's external auditor must report to the governing body on whether in all material respects:
- a. The financial statements give a true and fair view of the state of the provider's affairs, and of its income and expenditure, gains and losses, changes in reserves and cash flows for the year. They should take into account relevant statutory and other mandatory disclosure and accounting requirements, and the requirements of HEFCE, the OfS and (where applicable) of Research England.
 - b. The financial statements have been properly prepared in accordance with the financial reporting standards (FRS102) or, if applicable, the International Financial Reporting Standards.
 - c. Funds, from whatever source, administered by the provider for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.

- d. Where applicable, funds provided by HEFCE, the OfS and Research England have been applied in accordance with the relevant terms and conditions and any other terms and conditions attached to them.
- e. The requirements of OfS's accounts direction have been met.

Signing and publishing audited financial statements

- 29. A provider's financial statements must be signed by the accountable officer, and by the chair of the governing body or one other member appointed by that body. The governing body is as defined in the regulatory framework³. Where a governing body consists of one individual and this is the same person as the accountable officer, only the single signature of that person is required.
- 30. The external auditor must sign the report to the governing body that is included in the financial statements.
- 31. Providers must publish their audited financial statements on their website within two weeks of them being signed by the required individuals, and at the latest, four months after the end of the financial year to which they relate.

³ I.e. persons responsible for the management of the provider. As defined in section 85 of HERA, this will be any board of governors of the institution or any equivalent controlling body, for example the board of a company, the trustees of a charity, etc.

Part B: Requirements for providers registered with the OfS during the transition period

32. The OfS's regulatory framework published in February 2018 (OfS 2018.01) will not come fully into force until 1 August 2019. This means that newly registered providers will be regulated on the basis of a subset of the OfS's new HERA powers and duties from the date a provider is registered until 31 July 2019. This is called the 'transition period'.
33. During the transition period all registered providers are required to comply with the ongoing conditions of registration that are imposed from the date of their registration. This includes condition E3:

Condition E3: Accountability

Condition E3	<p>The governing body of the provider must:</p> <ul style="list-style-type: none">i. Accept responsibility for the interactions between the provider and the OfS and its designated bodies.ii. Ensure the provider's compliance with all of its conditions of registration and with the OfS's accounts direction.iii. Nominate to the OfS a senior officer as the 'accountable officer' who has the responsibilities set out by the OfS for an accountable officer from time to time.
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34. Condition E3 requires a provider to comply with the OfS's accounts direction. During the transition period, compliance with the requirements set out in Part B of this document for financial years ending more than 12 months after the date of a provider's first registration with the OfS will satisfy this requirement. This allows providers that did not previously have to comply with an accounts direction a reasonable amount of time to put in place the arrangements necessary for compliance.
35. The OfS will publish a subsequent accounts direction in the spring of 2019 that sets out the requirements for financial years ending on or after 31 July 2019.
36. This phased approach will mean the following:
- a. If a provider's financial year end is 30 June and it is registered with the OfS on 15 May 2018, it will need to follow this accounts direction for its financial statements for the year ending 30 June 2019. It will need to follow the accounts direction published in the spring of 2019 for its financial statements for the year ending 30 June 2020.
 - b. If a provider's financial year end is 30 June and it is registered with the OfS on 30 September 2018, it will need to follow the accounts direction published in the spring of 2019 for its financial statements for the year ending 30 June 2020. This is because this is the first year end after registration that falls more than 12 months after registration – its

financial year end of 30 June 2019 would only be nine months after the provider's first registration.

37. Further education and sixth form colleges (FECs) are required to comply with the OfS's accounts direction, as set out in paragraphs 34-36 above. These providers are also subject to the accounts direction⁴ published by their primary regulator, the Education and Skills Funding Agency. Where the requirements of the OfS's and the Education and Skills Funding Agency's accounts direction overlap, disclosure should be made only once for the purposes of both organisations. There are no requirements that conflict, although there are some areas where disclosures are required to differing levels of detail based on each regulator's requirements and regulatory context.

Disclosures about senior staff pay

38. In the strategic guidance issued under section 77 of HERA, the Secretary of State has asked the OfS to:
- a. Drive better value for money and transparency in relation to senior staff pay.
 - b. Review and republish HEFCE's guidance on severance pay and the remuneration of senior staff in light of recent developments affecting senior staff pay, including the Committee of University Chairs' fair remuneration code.
 - c. Ask providers to publish their pay ratios, in order to aid transparency.
39. This accounts direction addresses the Secretary of State's guidance.
40. This accounts direction focuses primarily on the remuneration of heads of providers. The OfS will address issues of senior staff pay beyond that of the head of provider in 2019.

Senior staff pay

41. Providers must have regard to the 'Higher education senior staff remuneration code'⁵ published by the CUC, irrespective of whether the provider is a member of the CUC.
42. A provider must include the following disclosures in the 'staff costs' note to its financial statements:
- a. The number of staff with a basic salary of over £100,000 per annum, broken down into bands of £5,000. Providers do not need to include staff who joined or left part-way through a year but who would have received salary in these bands in a full year. Where a proportion of the salary is reimbursed by the NHS, only the portion paid by the institution must be disclosed. Providers must include this as a table in order to help users of the financial statements to be able to understand this information – see below for an example.

⁴ See www.gov.uk/government/publications/college-accounts-direction.

⁵ See www.universitychairs.ac.uk/wp-content/uploads/2018/06/HE-Remuneration-Code.pdf.

Basic salary per annum	Number of staff (2016-17)	Number of staff (2017-18)
£100,000-£104,999	3	4
£105,000-£109,999	5	7
£110,000-£114,999	4	3
£115,000-£119,999	10	12
...

- b. Full details of the total remuneration package for the head of provider. Providers must disclose separate values for:
- i. Basic salary.
 - ii. Payment of dividends (including, but not limited to, dividends paid in lieu of salary).
 - iii. Performance-related pay and other bonuses awarded during the financial year, including any deferred payment arrangements and separate disclosure of any amounts waived.
 - iv. Pension contributions and payments in lieu of pension contributions.
 - v. Salary sacrifice arrangements.
 - vi. Compensation for loss of office.
 - vii. Any sums paid under any pension scheme in relation to employment with the provider.
 - viii. Other taxable benefits. Providers must state the nature of each of the taxable benefits and the estimated money value of each of the benefits (in particular company cars, subsidised loans including mortgage subsidies, and subsidised accommodation).
 - ix. Non-taxable benefits. Providers must disclose the nature of each of the non-taxable benefits and the cost to the provider of providing each of them. The non-taxable benefits that must be disclosed are those that are available only to senior members of staff or are only available to the head of the provider. This may include contributions to relocation costs, living accommodation and any other tangible benefit to which the provider should be able to ascribe a cost of provision of the benefit. Providers do not need to disclose non-taxable benefits that simply flow from being a member of the provider's staff and that are given to, or as a minimum are available to, all members of staff.

- x. Other remuneration. Providers must disclose the nature of any other types of remuneration and the cost to the provider of providing each type of remuneration. The types of remuneration may include compensation for loss of benefits, ex-gratia and remuneration payments while on sabbatical, and payments for consultancy work that are made to the individual (via the provider), rather than to the provider, for work delivered using the provider's resources.
- c. A justification for the total remuneration package for the head of the provider. The justification must include reference to the context in which the provider operates, and be linked to the value and performance delivered by the head of the provider. It should contain an explanation of the process adopted for judging their performance.
 - d. The relationship between the head of provider's remuneration and that for all other employees, expressed as a pay multiple. All other employees includes academic and non-academic staff. The pay multiple must be expressed as the head of the provider's remuneration divided by the median pay at the provider (on a full-time equivalent basis). This should be calculated across all staff pay, not just the academic staff. For example, the head of a provider earns £250,000 per annum as their basic salary and receives a further £75,000 per annum in other remuneration (as set out in paragraph 42b above) and the median salary at the provider is £35,000 per annum (on a full-time equivalent basis) and staff receive a further median of £5,000 in other remuneration (such as overtime, bonuses). In this example, the pay ratios that need to be disclosed are as follows:
 - i. The head of the provider's basic salary is 7.1 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.
 - ii. The head of the provider's total remuneration is 8.1 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.
43. Where there is a change in the head of the provider (including the appointment of an acting head) either between years or during a year, providers must make the disclosures set out separately for each individual, and provide the start and end dates of appointments for both the current financial year and previous financial year. Where a previous head of provider continues to receive remuneration in an employed or consultancy role after they cease to be the head of the provider, such as in an advisory or sabbatical role, this should be included in the total with an explanation.

Severance payments

44. Providers must have regard to 'Guidance on decisions taken about severance payments in HEIs'⁶ published by the CUC, irrespective of whether the provider is a member of the CUC.

⁶ See www.universitychairs.ac.uk/wp-content/uploads/2018/06/HE-Remuneration-Code-Severance.pdf.

45. A provider must include the following disclosures in the 'staff costs' note to its financial statements:
- a. The total amount of any compensation for loss of office paid across the whole provider (irrespective of the basic salary of an individual), and the number of people to whom this was payable for either of the following occurrences:
 - i. Loss of office.
 - ii. Loss of any other office connected with the provider's affairs.
 - iii. Loss of any other office connected with the affairs of a parent or subsidiary undertaking of the provider.
 - b. The amount of compensation for loss of office paid to the head of the provider. The disclosure should also state separately the amount of compensation paid for loss of office at the provider as one figure and, as a separate figure, the total compensation paid for loss of office at any of the provider's parent or subsidiary undertakings or any other office(s) connected to the provider's affairs.
 - c. Where the compensation paid to the head of the provider includes benefits other than cash, the provider must disclose the nature of the benefit in detail and the estimated money value of the benefit. The source of funding for any compensation paid or benefits given must be disclosed.
 - d. Where the compensation paid to the head of the provider includes additional pension contributions relating to the employment with the provider (whether these are voluntary contributions or otherwise), the amount of the pension contribution must be disclosed.

Disclosures about management and governance

46. If a provider is in receipt of public funding, it must include a 'statement of internal control' in its financial statements. This applies to financial statements for the financial year end that falls immediately after the provider begins to receive funding from the OfS or from Research England on behalf of UK Research and Innovation. The statement of internal control relates to a provider's arrangements for the prevention and detection of corruption, fraud, bribery and other irregularities.
47. A provider's arrangements for internal control will depend on its size and complexity. A provider should determine the most appropriate way to ensure that appropriate arrangements are in place. These are likely to be the same arrangements that the provider would want in place to give it and its shareholders, trustees and/or members assurance that it is able to prevent and detect fraud and other irregularities.
48. The statement of internal control must include an account of how the following principles of internal control have been applied:
- a. Identifying and managing risk should be an ongoing process linked to achieving the organisation's objectives.
 - b. The approach to internal control should be risk-based, including an evaluation of the likelihood and impact of risks becoming a reality.

- c. Review procedures must cover business, operational and compliance risk as well as financial risk.
 - d. Risk assessment and internal control should be embedded in ongoing operations.
 - e. During the year the governing body or relevant committee should receive regular reports on internal control and risk.
 - f. The principal results of risk identification, risk evaluation and the management review of the effectiveness of the arrangements should be reported to, and reviewed by, the governing body.
 - g. The governing body should acknowledge that it is responsible for ensuring that a sound system of internal control is maintained, and that it has reviewed the effectiveness of these arrangements.
 - h. The statement of internal control must set out any significant internal control weaknesses or failures that have arisen during the financial year or after the year end but before the financial statements are signed. Where appropriate, information about actions taken or proposed to deal with significant internal control weaknesses or failures should be set out: The following questions will help to identify whether the provider has experienced a significant internal control weakness or failure:
 - i. Might the weakness or failure prevent achievement of a strategic objective or target?
 - ii. Could the weakness or failure have a material impact on the financial data reported in the financial statements?
 - iii. Could the weakness or failure result in a diversion of resources from another important aspect of the provider's business?
 - iv. Does the provider's audit committee advise in its annual report to the governing body that the weakness or failure is significant?
 - v. Do the internal or external auditors regard the weakness or failure as significant (e.g. is it a high priority recommendation or a qualification of the internal or external auditors' annual opinions)?
 - vi. Could the weakness or failure, or its impact, attract significant public interest, or seriously damage the reputation of the provider and/or the sector?
49. The statement of internal control must explicitly relate to the period covered by the financial statements, and the period up to the date of approval of the audited financial statements.

Report from the external auditor

50. A provider's external auditor must report to the governing body on whether in all material respects:
- a. The financial statements give a true and fair view of the state of the provider's affairs, and of its income and expenditure, gains and losses, changes in reserves and cash flows for the year. They should take into account relevant statutory and other mandatory disclosure and accounting requirements, and the requirements of HEFCE, the OfS and (where applicable) of Research England.

- b. The financial statements have been properly prepared in accordance with the financial reporting standards (FRS102) or, if applicable, the International Financial Reporting Standards.
- c. Where applicable, funds from whatever source administered by the provider for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- d. Where applicable, funds provided by HEFCE, the OfS and by Research England have been applied in accordance with the relevant terms and conditions.
- e. The requirements of OfS's accounts direction have been met.

Signing and publishing audited financial statements

- 51. A provider's financial statements must be signed by the accountable officer, and by the chair of the governing body or one other member appointed by that body. The governing body is as defined in the regulatory framework⁷. Where a governing body consists of one individual and this is the same person as the accountable officer, only the single signature of that person is required.
- 52. The external auditor must sign the report to the governing body that is included in the financial statements.
- 53. Providers must publish their audited financial statements on their website within two weeks of them being signed by the required individuals, and at the latest, four months after the end of the financial year to which they relate.

⁷ I.e. persons responsible for the management of the provider. As defined in section 85 of HERA, this will be any board of governors of the institution or any equivalent controlling body, for example the board of a company, the trustees of a charity, etc.



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