

Meeting of the Remuneration Committee

2.00 - 4.00 pm on Tuesday, 22 June 2021
in MS Teams - MS Teams

Agenda

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	Items to approve		
5.	Senior remuneration policy review	9 - 14	JC
6.	Severance policy for senior managers review	15 - 20	MMJ
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9.	OfS accounts directive - remuneration requirements	31 - 32	MB

Date of next meeting
2.00 pm on Tuesday, 2 November 2021

Members: Jeremy Parr (Chair), Jerry Cope, Michael Cutbill and Deepa Shah

In attendance: Michael Broadway, Marcelle Moncrieffe-Johnson and David Phoenix

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**Minutes of the meeting of the Remuneration Committee
held at 2.00 pm on Tuesday, 3 November 2020
MS Teams**

Present

Jeremy Parr (Chair)
Jerry Cope
Michael Cutbill
Mee Ling Ng

In attendance

Michael Broadway
Marcelle Moncrieffe-Johnson
David Phoenix (*for minutes 1 – 12*)

1. Welcome and apologies

No apologies had been received.

2. Declarations of interest

The Vice Chancellor declared an interest in items 13 to 17 on the agenda. The Vice Chancellor would leave the meeting after item 12.

The Chief People Officer declared an interest in items 11 and 12 on the agenda.

3. Minutes of the previous meeting

The committee approved the minutes of the previous meeting.

4. Matters arising

The committee noted an update on the pay award for the Executive Principal, Lambeth College for 2019/20. The committee noted that the Chair of the Committee had approved an increase of 1% of base pay plus a one off payment of 4% to recognise work for LSBU group. This was in line with the 5% pay award agreed by the committee at its meeting of 21 November 2019.

5. Senior remuneration policy

The committee noted the policy, which was used to inform decisions at the meeting.

6. Pay multiples

The committee noted the pay multiples, which formed part of the annual remuneration committee report.

7. Average pay rise for all staff

The committee noted the average pay rise for staff, which was used to inform decisions at the meeting.

8. Executive members' expenses policy compliance audit

The committee noted the report on executive expenses for 2019/20.

9. External income policy - executive declarations

The committee noted the declarations of external income by members of the Executive.

10. Comparator set

The committee approved the proposed comparator set for the Vice Chancellor's salary.

The committee noted that the three yearly external review of Executive salaries would be undertaken in 2021 for the committee's summer 2021 meeting.

11. Executive member objectives

The committee noted the objectives for 2020/21 for executive members

12. Executive members salary and bonus

The committee noted the 0% increase to staff salaries for 2020/21 and the 2.8% increase received on average by staff through increments.

The committee discussed the challenges of benchmarking executive salaries to other institutions due to LSBU's group structure and bonus scheme.

The committee supported the proposal that all members of the Executive, except Nicole Louis and Fiona Morey, should receive a 0% pay increase in line with staff. The committee approved a 1.4% pay increase for Nicole Louis and for Fiona Morey.

The committee noted that, as the performance related pay (PRP) scheme rules had been met, members of the executive were eligible to receive a bonus. Based on the recommendation from the Vice Chancellor following review of performance against objectives, the following bonuses were approved:

- Provost (Pat Bailey): 7%
- Chief Financial Officer (Richard Flatman): 7%
- Chief Business Officer/Deputy Vice Chancellor (Innovation) (Paul Ivey): 5%
- Chief Customer Officer (Nicole Louis): 6%

- Pro Vice Chancellor (Compulsory Education) / Executive Principal, Lambeth College (Fiona Morey): 8%
- University Secretary (James Stevenson): 7%

The committee noted that Deborah Johnston, Pro Vice Chancellor (Education) had started in April 2020. Due to the impact Prof Johnston has had in the role during the coronavirus pandemic, the committee supported the recommendation to award her a bonus of 5% of salary.

13. VC salary and bonus

Please see separate minutes.

14. VC objectives

Please see separate minutes.

15. Executive team bonus

Please see separate minutes.

16. Remuneration Committee Report to Board of Governors

Please see separate minutes.

**Date of next meeting
2.00 pm, on Tuesday, 22 June 2021**

Confirmed as a true record

..... (Chair)

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Written resolution of the **Remuneration Committee**
of London South Bank University
passed on Tuesday, 30 March 2021

1. **Declarations of interest**

No member declared an interest in any item on the agenda.

2. **Provost remuneration**

The committee approved the proposed remuneration package, subject to the team bonus offer being 8%.

Circulated to:

Jeremy Parr
Jerry Cope
Michael Cutbill
Deepa Shah

Signed on behalf of the Remuneration Committee

..... (Chair)

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Agenda Item 5

	CONFIDENTIAL
Paper title:	Senior remuneration policy
Board/Committee:	Remuneration Committee
Date of meeting:	22 June 2021
Author(s):	HR
Sponsor(s):	Marcelle Moncrieffe-Johnson, Chief People Officer
Purpose:	For Approval
Recommendation:	HR have reviewed the policy and recommend no changes

Executive summary

The committee is requested to confirm the Senior remuneration policy.

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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 Remuneration Committee's discretion, a team bonus in addition to the individual bonus will operate, currently set at 8% with the potential to rise to 10% on the approval of the Remuneration Committee;
- At the Board's discretion, the overall package may also include a longer-term incentive scheme, the perceived value of which should be included in assessing comparability with equivalent institutions;
- The Board will publish the value of the packages of some or all of its senior executives, in the way defined and required by the Office for Students (OfS);
- These principles will be resubmitted to the full Board for endorsement, as a minimum once every three years and will be published in LSBU's Report & Accounts

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 or other senior executives will not have a role in the final decision on pay and other awards for themselves.

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.

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Agenda Item 6

	CONFIDENTIAL
Paper title:	Severance Guidance policy
Board/Committee:	Remuneration Committee
Date of meeting:	22 June 2021
Author(s):	HR
Sponsor(s):	Marcelle Moncrieffe-Johnson, Chief People Officer
Purpose:	For Approval
Recommendation:	HR have reviewed the policy and recommend no changes

Executive summary

To approve the guidance on severance payments to senior executives from June 2020 and update if necessary.

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LSBU remuneration committee

Guidance on severance payments to senior executives

July 2018

1. At its meeting of 12 July 2018, the LSBU board has voluntarily adopted the CUC's higher education senior staff remuneration code (published June 2018) (the code).
2. The LSBU remuneration committee has agreed that this guidance applies to all senior executives who report to the vice chancellor (Senior Executives).
3. LSBU will ensure that contracts agreed with its Senior Executives are fair, reasonable and justifiable and do not expose LSBU to significant potential liabilities. Contractual notice periods will not exceed six months, unless there is prior approval in writing by the chair of the remuneration committee.
4. In making a severance payment to a Senior Executive:
 - 4.1 LSBU will comply with the CUC's "guidance on decisions taken about severance payments in HEIs"
 - 4.2 Where the LSBU Group operates as a charity, its funds and assets to make severance payments must be used to further the charitable purposes of LSBU
 - 4.3 Under element 1(i) of the code, any severance payment must be reasonable and justifiable
 - 4.4 LSBU must meet its contractual obligations and be able to explain the reasons for any payments made; and
 - 4.5 LSBU will need to carefully consider any advice that is available from regulators, together with detailed CUC advice.
5. When a severance arises following poor performance on the part of an individual, LSBU recognises that payment should be proportionate, and there should be no perception that poor performance is being rewarded. Final-year salaries should not be inflated to boost pension benefits.
6. Severance payments to Senior Executives must be disclosed in the annual remuneration report to the LSBU board of governors.

7. Any severance arrangement covered by this guidance must be approved in writing by the chair of the remuneration committee prior to execution of any settlement agreement.

Severance is reported to the Board and made public where there is a requirement to do so.

Approved by the Remuneration Committee June 2020

V1 30/7/20

Guidance on Decisions Taken about Severance Payments in HEIs

1. There is significant student and public interest in the remuneration of heads of higher education institutions (HEIs) and in the severance payments and packages received by those vacating such positions. Student interest has grown as the funding of higher education (HE) has moved increasingly from government grants to tuition fees. There is also considerable press interest in these matters, with HEIs and other charities being challenged and held to account for the levels of pay for their chief executives. This interest poses questions over the proper use of funds and assets and may impact on the reputation of individual HEIs and the HE sector as a whole.
2. In response, the CUC has published an HE Senior Staff Remuneration Code. This document sets out guidance to support governing bodies in their determination of remuneration and severance payments to heads of institutions (Hols) and staff earning over £100,000.
3. For those HEIs that are also charities, the governors (who are the trustees of the charity) must use charitable funds and assets only to further the charitable purposes of their HEI. This duty applies to trustees' stewardship of all of the charity's funds and assets – not just those that derive from public funds.
4. Appropriate severance payments require three key elements – namely that there is:
 - I. a reasonable, appropriate and justifiable amount;
 - II. procedural fairness; and
 - III. transparency and accountability.

Each of these elements are underpinned by several supporting principles.

Element I – A reasonable, appropriate and justifiable amount

5. 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. 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, HEIs must be able to explain notice periods of more than six months.
6. Severance payments must consider matters of equality, diversity and inclusion with a view to ensuring that there are no biases based on gender, or other protected characteristics with regard to any payments made.
7. An HEI considering severance payments needs to ensure that it is being fair and equitable in its decision making about different groups of staff.
8. Enhancements to severance packages should not as a rule be provided out of public funds. For those HEIs that are charities, governing bodies must be mindful that non-public funds are assets of the charity and should therefore ensure that the use of these assets to make severance payments is in accordance with the use of charitable funds only to further the HEI's charitable purposes.
9. Governing bodies may also wish to consider the outcomes of the government's consultation on reforms to public sector exit payments.¹
10. When a severance arises following poor performance on the part of an individual, payment should be proportionate, and there should be no perception that poor performance is being rewarded. Final-year salaries should not be inflated to boost pension benefits.

¹ HM Treasury (2016) [Reforms to public sector exit payments: response to the consultation](#).

Element II – Procedural fairness

11. Procedural fairness requires severance payments to be set through a process that is based on competent people applying a consistent framework with independent decision making using appropriate evidence. No individual can be involved in deciding his or her own severance payments.
12. The actions of those taking decisions about severance payments and those potentially in receipt of such payments should be governed by the standards of personal conduct set out by the Committee on Standards in Public Life (the seven Nolan Principles):
 - a) selflessness;
 - b) integrity;
 - c) objectivity;
 - d) accountability;
 - e) openness;
 - f) honesty; and
 - g) leadership.
13. Governing bodies must establish Remuneration Committees; these should be composed primarily of independent members of the governing body (and include the Chair of the governing body) but may co-opt external members to ensure it has the appropriate experience available. The Remuneration Committee must review any severance packages for post holders within its remit and, if needed, seek legal advice before making its recommendation to the governing body or exercising its delegated powers.
14. The Remuneration Committees, if considering HoI severance, must be chaired by a lay governor who is not Chair of the board.
15. Negotiations about severance packages and payments should be informed, on both sides, by appropriate legal advice as necessary.

Element III – Transparency and accountability

16. The process for determining severance payments must be transparent.
17. The decisions about severance payments should be made in such a way as to ensure the accountability of those making the decisions as well as those in receipt of such payments.
18. Severance payments to senior staff should be disclosed in the Annual Remuneration Report to the governing body.
19. Confidentiality clauses can require both sides not to disclose the terms of the agreement or the circumstances leading up to the severance. In the private sector this is thought to be a cost-effective way of resolving disputes to the satisfaction of both sides and allowing the organisation to move on. HEIs and their outgoing staff may also need these protections, but this must be balanced by requirements for accountability and openness.
20. Therefore, compromise agreements for senior staff that include confidentiality clauses are acceptable, but they should be the exception rather than the norm. Any confidentiality clause should not prevent the wider public interest being served, and any undertakings about confidentiality should leave severance transactions open to adequate public scrutiny by the National Audit Office (NAO) and Public Accounts Committee. This means that both sides in a severance agreement should understand that any information covered by a confidentiality clause will need to be disclosed, if required, to the appropriate regulator or the NAO.

Agenda Item 7

	CONFIDENTIAL
Paper title:	External Income policy
Board/Committee:	Remuneration Committee
Date of meeting:	22 June 2021
Author(s):	HR
Sponsor(s):	Marcelle Moncrieffe-Johnson, Chief People Officer
Purpose:	For Review
Recommendation:	HR have reviewed the policies and a review is required.

Executive summary

To review the external income policy and update for this year. HR have reviewed the policies and there is a desire for the organisation to carry out a review on the approach and report back to the next committee meeting.

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Retention of External income policy

1. Executive members are expected to declare any relevant income.
2. The expectation is that external relevant income will not be retained but on occasion permission to retain income may be given by the Vice Chancellor. Agreement should be obtained before entering into external activity.
3. Where staff are appointed on a fractional basis it may be that external activity can be accommodated outside of contract but it should still be declared to avoid conflict.
4. A summary of annual declarations should be maintained to be provided annually regarding relevant amounts earned and whether they should be retained.

V1 30 July 2020

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	INTERNAL
Paper title:	Remuneration committee terms of reference
Board/Committee:	Remuneration Committee
Date of meeting:	22 June 2021
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	Jeremy Parr, Chair of Committee
Purpose:	For Approval
Recommendation:	The committee is requested to recommend its updated terms of reference to the Board for approval.

Executive summary

The committee's terms of reference have been reviewed.

Following review a minor change is proposed:

- to confirm that it is an LSBU remuneration committee (rather than a group one) but to recognise the role of the SBA and SBC remuneration committees in determining PVC(CE)'s pay and bonus. This is covered in new section 12.

The committee is requested to recommend its updated terms of reference to the Board for approval.

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LSBU Remuneration Committee Terms of reference

1. Constitution

- 1.1 The Board of Governors has established a committee of the Board known as the Remuneration Committee.

2. Membership

- 2.1 The Remuneration Committee and its chair shall be appointed by the Chair of the Board, from among the independent governors, and must consist of members with no executive responsibility for the management of the institution.
- 2.2 The Chair of the Board shall not be Chair of the Committee.
- 2.3 There shall be no fewer than three members; a quorum shall be at least two members.
- 2.4 The chair of the Board shall be a member of the committee.
- 2.5 Members should not have significant interests in LSBU.
- 2.6 The committee may, if it considers it necessary or desirable, co-opt members with particular expertise.

3. Attendance at meetings

- 3.1 The Vice Chancellor will be invited to present his/her 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.

4. Definition:

- 4.1 The following definition applies to these terms of reference:
- Senior Executives: senior leaders who report directly to the Vice Chancellor. This group includes the Senior Post Holders as defined in the Standing Orders.

5. Remit of the committee

The responsibilities of the committee are to:

- 5.1 determine the broad policy for the remuneration of LSBU's Senior Executives. No individual shall be involved in any decisions as to their own remuneration;
- 5.2 approve the design of any bonus scheme for Senior Executives operated by LSBU and approve the total annual payments made under such schemes;
- 5.3 approve individual objectives for any bonus scheme for the Vice Chancellor based on recommendations by the Chair of the Board;
- 5.4 monitor the objectives set for performance bonuses for the Vice Chancellor and Senior Executives;
- 5.5 within the terms of the agreed policy and in consultation with the Chair of the Board and/or Vice Chancellor as appropriate, determine the total individual remuneration package of each Senior Executive, including bonuses, incentive payments;
- 5.6 determine the policy for, and scope of, pension arrangements for each Senior Executive;
- 5.7 approve guidance on severance payments to Senior Executives;
- 5.8 approve a policy on external income for Senior Executives;
- 5.9 oversee any major changes in employee benefits structures throughout LSBU or group;
- 5.10 monitor compliance with the expenses policy for Senior Executives in line with note 8 of the CUC Higher Education Senior Staff Remuneration Code;
- 5.11 ensure that all provisions regarding remuneration as set out in CUC and OfS guidance are fulfilled;
- 5.12 review and note annually the remuneration trends across LSBU and the HE sector;
- 5.13 obtain up-to-date information about remuneration in other comparable organisations; and

5.14 approve the HE Senior Executive benchmark set.

6. Reporting responsibilities

6.1 The committee chair shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.

6.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

6.3 An annual remuneration committee report shall be included in the annual report and accounts.

7. Authority

7.1 The committee is authorised by the board, at LSBU's expense:

7.1.1 to obtain any outside legal or other professional advice; and

7.1.2 within any budgetary restraints imposed by the board, to appoint remuneration consultants, and to commission or purchase any relevant reports, surveys or information which it deems necessary to help fulfil its duties.

8. Secretary

8.1 The Group Secretary or their nominee shall act as the secretary of the committee.

9. Minutes

9.1 The secretary shall minute the proceedings and resolutions of all remuneration committee meetings. Minutes shall be circulated to the members of the committee.

10. Frequency of Meetings

10.1 The committee shall usually meet twice a year and at such other times as the chair of the committee shall require.

11. Remuneration policies

- 11.1 in determining any of the policies within its remit the committee shall comply with 'The Higher Education Senior Staff Remuneration Code' published by the CUC (June 2018).
- 11.2 in determining the remuneration policy under 5.1, the committee shall take into account all factors which it deems necessary. The objective of such policy shall be to ensure that the Senior Executives are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of LSBU and group.
- 11.3 In determining the severance guidance under 5.7 the committee shall comply with the CUC's "guidance on decisions taken about severance payments in HEIs".

12. Remuneration of PVC (Compulsory Education)

- 12.1 In making decisions under paragraph 5 relating to the PVC (Compulsory Education), the committee shall have regard to advice received from the remuneration committees of South Bank Academies and of South Bank Colleges.

*Approved by the Board of Governors on 18 October 2018.
Reviewed by the Remuneration Committee on [22 June 2021].
Revisions approved by the Board of Governors on [22 July 2021].*

	INTERNAL
Paper title:	OfS accounts direction requirements
Board/Committee:	Remuneration Committee
Date of meeting:	22 June 2021
Author(s):	Michael Broadway, Deputy University Secretary
Purpose:	To inform the committee of the requirements for senior staff remuneration as part of the OfS accounts direction
Recommendation:	The committee is requested to note

Executive Summary

The accounts direction from the Office for Students (OfS) sets out the information that providers are required to include in their audited financial statements, including required disclosures on senior staff pay.

The accounts direction has not been updated from the previous year by the OfS.

As last year, the following are the key requirements of the direction for the remuneration committee to note:

- The accounts direction again focuses on the VC and has not been widened to require more transparency around the remuneration of other senior staff;
- Providers must have regard to the 'Higher education senior staff remuneration code' published by the CUC – the LSBU Board adopted the Code at its meeting of 18 October 2018;
- Providers must have regard to the 'Guidance on decisions taken about severance payments in HEIs' published by the CUC. A policy on severance payments based on this guidance was approved by the Remuneration Committee at its meeting of 12 July 2018.
- The accounts to include:
 - full details of the total remuneration package for the head of provider;
 - a justification for the total remuneration package of the VC;
 - the relationship between the head of provider's remuneration (basic salary and total remuneration) and that for all other employees, expressed as a pay multiple.

The committee is requested to note.

