

Meeting of the Remuneration Committee

6.00 pm on Thursday, 23 November 2017
in 1B27 - Technopark, SE1 6LN

Agenda

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1.	Welcome and apologies		ML
2.	Declarations of interest		ML
3.	Minutes of the previous meeting	3 - 4	ML
4.	Matters arising		ML
5.	Vice Chancellor's Salary and Performance Pay	5 - 8	JC
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7.	Executive members' performance related pay	13 - 18	DP
	Items to note		
8.	Executive members' objectives for 2017/18	19 - 38	DP
9.	Sector remuneration guidance	39 - 76	ME

Date of next meeting
6.00 pm on Tuesday, 26 June 2018

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

In attendance: David Phoenix, Mandy Eddolls, Michael Broadway and Joanne Monk

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**London South Bank University
Minutes of the Remuneration Committee
24th November 2016 6.00pm**

Present: Mee Ling Ng (Chair)
Jerry Cope
Andrew Owen
Joanne Monk (minutes)

1. Apologies

Apologies were received from Carol Hui and David Phoenix.

2. Declarations of Interest

The Committee noted Jerry Cope's ongoing appointment as a Director on the UCEA Board.

3. Minutes of the Meetings Held on 28 June 2016

These minutes were approved.

There were no matters arising.

4. Executive Performance Related Pay (PRP) Scheme

Based on the Executive PRP Scheme rules, the following payments, as recommended by the Vice Chancellor, for Senior Post Holders were approved:

- Chief Finance Officer – 8%
- Deputy Vice Chancellor – 8%
- University Secretary – 6%

The RPR payments of Executive members who report to the Vice Chancellor were noted:

- Chief Operating Officer – 8%
- Executive Director of OD and HR – 6%
- Pro Vice Chancellor, Research and External Engagement – 4%
- Pro Vice Chancellor, Education and Student Experience – 6%

5. Executive Team Salaries

The recommended 1.1% increase to salaries with effect from 1 August 2016, in line with the national pay award agreed for other staff groups, was agreed for Senior Post Holders and was noted for other members of the Executive, with the exception of the Executive Director of OD and HR who is on a fixed term contract and salary.

6. Executive Objectives for Year 1 August 2016 to 31 July 2017

These were agreed for Senior Post Holders.

These were noted for other Executive Team Members.

7. Pension Cash Supplement Scheme

The Committee noted that to date 3 of 7 members of the Executive/Deanery had opted out of their pension scheme and are receiving pension cash supplements. It was agreed that the policy and take up would be kept under review and reported at the next meeting.

10. Vice Chancellor's Salary, PRP Assessment and Objectives for 2016/17

The Committee:

- Approved the recommended 1.1% increase in annual salary for the Vice Chancellor;
- Agreed a 8% bonus;

- Noted the Vice Chancellor's objectives for 2016/17.

The Committee discussed the concept of a longer term PRP scheme that aligned with the three year strategic plan, with possible annual milestones. The Chair of the Board would consider further and if appropriate bring a proposal to a Remuneration Committee following a Board of Governors Meeting in June 2017.

11. Any Other Business

There were no items of other business.

12. Date of Next Meeting

23 November at 6 pm following the Board of Governors meeting.

	CONFIDENTIAL
Paper title:	Vice Chancellor's Salary and Performance Pay 2017
Board/Committee	Remuneration Committee
Date of meeting:	23 November 2017
Author:	Jerry Cope, Chair of Board of Governors
Executive sponsor:	Jerry Cope, Chair of Board of Governors
Purpose:	To agree recommendations for Vice Chancellor's Salary and Performance Pay for 2017
Recommendation:	To agree the recommendations for the Vice Chancellor's Salary and Performance Pay for 2017

Executive Summary:

2017 Base Pay and Performance Pay Recommendations for Dave Phoenix

Pay

1. The V-C's current basic pay is £223,930. This compares with a median of £240,000 for all institutions, £233,930 for institutions of a size similar to LSBU, and £219,000 for post-92 institutions of our size. Against our selected 12 comparator institutions (which probably need review) the range is £260,000 to £193,800 and our VC sits in 5th place, in reality a little lower as many of these are outside London, where salaries are generally a bit higher. In addition our VC receives our agreed cash supplement, at 14.5% of salary, in lieu of being no longer sensibly in his pension scheme.
2. The University policy for senior managers is to follow the general award for all staff of 1.7%, and although based on performance and growing reputation, about half of staff on formal pay scales will in addition get an increment of around 3%. I believe our VC is operating at an above median level, and within a more logical external environment I might have recommended a figure a little above 1.7% to reflect his lack of an incremental scale. But Dave understands the difficulty of this, as we approach registration with OfS, and I therefore recommend a 1.7% increase for 2017.
3. We are however in a position with our senior team, where because of external perception and scrutiny, it is difficult to recognise ability and outcomes either above or below the norm. I do not see this changing, other than in exceptional

circumstances, until this debate has unwound.

Performance Pay (Bonus)

4. I have conducted a full appraisal with Dave. He was set 5 both measurable and qualitative objectives (alongside his continuing wish to continue with his academic research) in the following areas:
 - A. Enhancing institutional reputation, including a defined improvement for Times/Guardian/CUG. (Objective: **MET**)
 - B. Financial stability and performance, including meeting outturn budget (Objective: **MET**, (metric); **LARGELY MET** (qualitative), perhaps missing on a clear medium term path for financial sustainability)
 - C. Staff Engagement (Objective: **MET**, based on staff engagement score)
 - D. Family of Educational Establishments (Objective: **MET** on schools and UTC, **NOT MET** on Larch, although not for want of trying)
 - E. Develop Estates Plan (Objective: only **PARTIALLY MET** as timescales not achieved)
5. We awarded a maximum performance pay bonus of 10% in 2015/6 and 8% in 2016/7. As far as Dave's personal performance is concerned, I took input from Independent Board Members prior to formal appraisal, and everyone rated him highly not least in the context of the challenges we face.
6. The performance pay bonus award is not mechanical (i.e. 2% for each objective and is intended to include an overview of personal contribution and drive and behaviors). My overall evaluation is that Dave has met around 70% of objectives, and has provided strong and able leadership to the University. On this basis I recommend an 8% performance pay bonus for 2016/7.

2017/8 and beyond

7. The Committee may wish to note that I have agreed similar objectives for 2017/8 in line with our strategy and operating plan in the following areas:
 - Enhancing institutional reputation (focused on league tables)
 - Ensuring financial sustainability of the organization, with greater emphasis on a medium term financial plan alongside in-year performance
 - Responding to the staff engagement survey and increasing staff engagement to 64%
 - Developing the family of educational institutions concept, if necessary without Larch.
 - The Estates Plan (Achieving Board approval for St Georges and the London Road quarter)

Summary

8. The Remuneration Committee is invited to:
 - a) Agree an increase in the VC's salary of 1.7% to £227,737
 - b) Agree a performance pay bonus of 8%
 - c) Note the areas in which key objectives have been set for 2017/8

Jerry Cope

Chair of Board of Governors

November 2017

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	CONFIDENTIAL
Paper title:	Executive Salaries: Recommendations regarding base pay for Executive members with effect from 1 August 2017
Board/Committee	Remuneration Committee
Date of meeting:	23 November 2017
Author:	Joanne Monk – Deputy Director of Human Resources
Executive sponsor:	Dave Phoenix – Vice Chancellor
Purpose:	To agree recommendations for Senior Post Holder salaries and note those agreed by the Vice Chancellor for other Executive members.
Recommendation:	To agree the recommendations for Senior Post Holder salaries.

Executive Summary:

After review against the latest benchmark data from the UCEA Senior Staff Remuneration Survey 2016 there are no proposals to adjust base pay for members of the Executive.

The standard increase of 1.7% is recommended for the Executive in line with that awarded to staff.

Recommended Base Pay Proposals for Senior Post Holders for agreement:

Deputy Vice Chancellor

Current Pay	£153,167
UCEA median	£139,919
Proposal	Implement 1.7% pay award
New Pay	£155,771

Chief Finance Officer

Current Pay	£142,955
UCEA median	£139,575
Proposal	Implement 1.7% pay award
New Pay	£145,385

University Secretary

Current Pay £92,403

Note: No appropriate benchmark data available. UCEA survey role defined as Secretary incorporates a bigger remit than here.

Proposal Implement 1.7% pay award

New salary £93,974

Base Pay for Executive members to note:

Chief Operating Officer

Current Pay £122,533

UCEA median £139,575

Proposal Implement 1.7% pay award

New Pay £124,616

PVC Education and Student Experience

Current Pay £122,533

UCEA median £120,584

Proposal Implement 1.7% pay award

New Pay £124,616

PVC Research and Enterprise

Current Pay £137,850

UCEA median £120,584

Proposal Implement 1.7% pay award

New Pay £140,193

Chief Marketing Officer

Current Pay	£122,533
UCEA median	£139,575
Proposal	Implement 1.7% pay award
New Pay	£124,616

Executive Director OD & HR

The post holder is on a fixed term contract at a fixed remuneration of £150,000 p.a. for the duration of the work.

Proposal No change to contract hence salary remains £150,000.

Note: UCEA median is for all HEIs taken from the 2016 survey

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	CONFIDENTIAL
Paper title:	Executive Performance Related Pay Assessment for the Financial Year 1 st August – 31 st July 2017
Board/Committee	Remuneration Committee
Date of meeting:	23 November 2017
Author:	Vice Chancellor
Executive sponsor:	Vice Chancellor
Purpose:	To agree recommendations for senior post holders performance related bonuses (excluding the Vice Chancellor) and note payments to other members of the Executive and reports to the VC.
Recommendation:	The university has achieved its income target and exceeded budget expectations hence the Executive are eligible for bonus payments. Payments to the Executive (and Vice President (Development) who reports to the VC) are provided for note and recommendations for payment to senior post holders are provided for review and approval.

Executive Performance Related Pay Bonus Appraisal

1.0 Background:

The university has achieved its income target and exceeded budget expectations hence the Executive are eligible for performance related bonus payments. In addition this year, the Vice President (Development) is included in the performance management appraisal scheme.

2.0 Outcomes

The Executive are eligible for up to 10% payment subject to the university meeting agreed surplus targets. The university achieved its income target of £144M and exceeded budget expectations. All external reputational indicators improved with TEF silver, entry to two world rankings and entry to top100 guardian league table being highlights. The gateway for the bonus payment has therefore been met.

Performance of Executive colleagues was discussed during appraisal and delivery against objectives agreed.

2.1 Recommended performance related payments

The following payments are recommended by the Vice Chancellor and a summary of the individual reviews are given in the appendix.

Those of senior post holders require approval by the Remuneration Committee and are marked with 'A'. The remainder are for note and the information is provided for transparency.

Name		Bonus	Comment
R Flatman	A	(8%)	During what was a challenging year we have come in ahead of budget. Good oversight of audit and control environment with good development on data use. Only area requiring further work is the planning process to further develop timeliness and links to resources. Very significant support on Lambeth. 4 out of 5 objectives met and one partially met.
P Bailey	A	(6%)	Good support in areas such as apprenticeships but further work needed in some schools to develop curricula and NSS etc where we fell short and a more strategic mid-term view needed in some areas. Work on access provision and year zero delayed – good support to Shan on TEF and some new areas such as in LSS launched this year. 3 of 5 objectives fully met.
P Ivey		(8%)	Good progress across objectives – growth in research and international activity and strong feedback from external stakeholders. UKVI metrics all strong and research student support transformed in terms of process and approach. Review of partnership activity complete and new research centres launched. 4 of 5 objectives met.
S Wareing		(6%)	Objectives generally met. Excellent work developing TEF and leading on review of student records system. Relative improvement in NSS but need to seek more absolute gains. Progression shows more enrolments but a drop in clean progression. 2 of 5 objectives met.
I Mehrtens		(5%)	A number of objectives partially met and estates behind timeline. Recruitment also behind target. Strong performance on development of customer service, IT and diversity. Also significant support to Lambeth estates development 2 of 5 objectives met.
M Eddolls		(5%)	Objectives generally met but further work on development of HR team needed with clear PIs and increased efficiency required in some areas. Good progress on workforce development but need to further understand barriers to organisational effectiveness and deploy OD interventions.
J Stevenson	A	(6%)	Objectives generally met. Good team development and progress with development of legal. Significant support given to Lambeth project where a significant focus has been on legal DD. 3 of 5 objectives met.
R Bhamidimarri		(8%)	Academy achieved Good ofsted, UTC recruited sufficiently to open on time and building project for UTC to target with handover for next academic year. Performance issues in schools being dealt with. Work to obtain increased benefits of MAT for group under way but are is an area for improvement. Only 1 of 4 objectives fully met but the scale of work and delivery has been

			significant – even in two areas partially met. The objective that wasn't met was outside of Rao's control (i.e. required external approval).
N Louis		(n/a)	Good start but recent appointment hence not eligible for bonus

Appendix: Appraisal summary

<p>R Flatman: Fully Met - very successful year in terms of income and ahead of budget</p> <ol style="list-style-type: none"> 2. Met - still some areas of team for development and work on payroll-Hr interface but strong team and good engagement with customer service work 3. Partially Met - noted work with planning still needed to ensure proactive and planning cycle align with budget - I still had to remind team regarding Roadmap development for 2018 - and budget development had been more problematic this year and late. information mgt working really well and move to local roadmaps a significant step forward 4. Met - have moved from queries on data quality to a focus on how data can be used to improve business - need now to develop local PIs and score cards as has been done for schools 5. Fully Met - strong contribution to range of programmes <p>Overall rating: Good/Strong</p>
<p>P Bailey: 1 Partially Met - school delivery; good progress on a number of indicators although fell short on NSS - needed to look at PG satisfaction and achievement as we move forward KPIs were making a difference and increasing transparency - where areas were not improving swifter action would be needed - Eng and Science remain areas of concern.</p> <ol style="list-style-type: none"> 2. Partially Met - Academic shape; Portfolio review had led to changes in LSS and creative technology was launching new programmes. Would be moving forward with hospitality - needed to then look at yr0 - a challenge was seeking to move these developments at pace as the market was getting more hostile without being knee jerk 3 Fully Met - IPTE had gone well 4. Met - input into estates and Lambeth had been appropriate and supported developments 5. Met - External work was developing eg TEF - agreed would apply for Ofqual Board <p>Overall rating: Good</p>
<p>P Ivey: 1 Agreed MET but more work on environment required moving forward - need to reflect on his visibility and coordination.</p> <ol style="list-style-type: none"> 2. Partially met due to under target on Enterprise - concept for SBE development had been identified but now need to implement - innovation centres overseas developing in terms of concept but need delivery 3. MET - visa refusals well managed and income at target 4. Met - partner review complete and good feedback from BUE and ASU 5. MET - very positive and strong feedback from external partners - military covenant had been a big success and warrants special note <p>Overall rating: Good/Strong</p>
<p>S Wareing: MET - Quality and standards - noted the impact of the TEF and the work that had underpinned the submission</p> <ol style="list-style-type: none"> 2. Partially Met- Curriculum development - noted progress with educational framework and digital but both were still at a concept stage and needed to be future developed and rolled out in the coming academic year 3 Partially Met (depending on progression) - good leadership on SRS - clean progression declined 4. Partially Met - Student satisfaction - noted relative improvements but limited absolute improvement and needed to pick up postgraduate satisfaction 5. Fully met Graduate employability noted outstanding result in DHLE - still more to do on placement but progress and employment agency being rolled out <p>Overall rating: Good/Strong</p>
<p>I Mehrtens: Estates - Partially met - proposal for St Georges and London road now outlined but questions on implementation and therefore costs still remained which had contributed to delay in paper going to the Board.</p> <ol style="list-style-type: none"> 2. Digital - Partially met - progress with investment and roll out of roadmaps but original concept of a digital strategy had not progressed with drop down into too much detail. This will be picked up with Nicole and Shan as part of the step change projects 3. Marketing - Partially met - income targets met but under recruitment of UG by c10% - good progress with Brand concept with consultant 4. Diversity - Fully Met - remains strong ambassador and champion leading on range of diversity issues. Good progress on roll out of Customer service also made 5. Technical - Partially met - customer feedback good and papers on teaching ready for ops Board. Career structure, ensuring clarity over role wrt teaching research and enterprise needed

6. Lambeth - Met - good engagement and support for the project given in discussion not only on estates but wider issues.

Overall rating: Good

M Eddolls: 1. Workforce - MET- and noted that the next phase needed to help look at future skills requirements and how we identified these and supported there development

2. H&S - MET - but need to ensure mandatory training complied with and ensure there is clarity over exec/Ops board roles in case of incident

3. Performance - Partially MET -good progress but needed to look more at effectiveness of the organisation and of key processes such as appraisal

4. Equality - MET - good progress being made both with networks and culture

5. Employee engagement - MET - good progress against targets - need to now refresh plans and maintain momentum

6 HR Operations - Partially MET - still challenges around effectiveness. Need to review processes and maintain team effectiveness under review. Also need to progress the development of the PIs, dashboard and reporting

7. Other - noted contribution to Lambeth and need to maintain style under review

Overall rating: Good

J Stevenson: 1. support for chair - Met

2. - partially met - Define role of public affairs done but had largely developed independently but was undertaking some good work. Noted would engage with NL to ensure appropriate oversight moving forward

3. legal - met - support provided and news structures being implemented

4. gov for academy - met - good progress putting this in place - needed to review gov from a group perspective to ensure we were not creating additional workload

5. review of policies - partially met - policies had been assembled and made available on line but needed review coordinating across stakeholders

Overall rating: Good/Strong

R Bhamidimarri : - 1. Partially met - Establishment of the Trust and its operating environment - the Trust was established but working practices needed to be embedded and further work needed on integration with university and standardisation across schools

2. - Not met - Expansion of Schools within Trust but this was recognised as being outside of any individual's control. Opportunities had been identified and bids submitted but support had not been achieved from outside bodies - work to develop this had been good

3. Develop Academy - Fully Met - a number of performance issues had been carefully managed, Ofsted good achieved and the academy is on a strong footing.

4. UTC - partially met - as with all UTCs recruitment remains a challenge giving some financial constraints and the leadership team is still relatively in experienced. Management of the build program and support for the UTC had been good and achievement is as good as could have been expected

Overall rating: Good/Strong

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	CONFIDENTIAL
Paper title:	Executive Objectives for Next Year 2017/18
Board/Committee	Remuneration Committee
Date of meeting:	23 November 2017
Author:	Dave Phoenix – Vice Chancellor
Executive sponsor:	Dave Phoenix – Vice Chancellor
Purpose:	To note the objectives set for next year
Recommendation:	To note the agreed objectives for 2017/18

Deputy Vice Chancellor

1. Core Strategic Leadership Objective

Improved student satisfaction and Yr1 progression.

Measures of Success

- i. Metrics that indicate 3% improvement in overall student satisfaction.
- ii. Metrics that indicate 3% improvement in Yr1-to-2 progression.

Milestones

Measures put in place to improve student experience and success during semester, in discussion with Shân.

2. Core Strategic Leadership Objective

Further improvement in the performance and potential of Schools.

Measures of Success

The metrics that generate the KPI data.

Milestones

- i. Revised Roadmaps to be in place for all Schools by Christmas.
- ii. Specific proposals in place to develop Schools that are a particular concern (APS and ENG).

3. Core Strategic Leadership Objective

Improved outcomes for sub-degree activities:

- i. Yr0/Foundation Year.
- ii. Cert HE provision.
- iii. Support for core skills and failing modules ('Skills for Learning' team).

Measures of Success

- i. Decision and implementation on the future of the FY.
- ii. Decision and implementation of the Cert HE provision for Sept 2018 intake.
- iii. Further improvement in failing module outcomes and in English/maths support.

Milestones

For 1) and 2), definitive recommendations by the end of 2017, and implemented for Sept 2018 intake.

For 3), ongoing developments and initiatives during 2018, in collaboration with Shân.

4. Core Strategic Leadership Objective

Step change projects, including:

- i. Passmore Centre and IPTE (lead).
- ii. Substantial progress in exploring the vision and viability of the Community Hub ('Polyclinic'), and discussions concerning the potential for a Medical School (lead with Warren).
- iii. Revised course portfolios, in close collaboration with marketing team (lead with Nicole).
- iv. Digitally Enhanced Learning (working with Shân).

Measures of Success

- i. Passmore Centre opening on time, and within budget.
- ii. Decision on Community Hub made by end July 2018; progress on Medical School concept, or decision not to develop this.
- iii. Course proposals (UG and PGT) by end 2017, for Sept 2019 intakes.
- iv. Significant progress in improving the student experience through digital technologies, including features that are available to support all students, and one or two specific pilot projects (e.g. online PGT or CPD courses, possibly with external partner).

Milestones

All ongoing during 2017/18, with milestones as determined by the projects.

Pro-Vice Chancellor Research and External Engagement

1. Core Strategic Leadership Objective

Grow research and enterprise environment and activity

Measures of Success

Research Income (£3.1M) , PGR Numbers (increase by 50), Enterprise & Innovation Income (£10.5M) To Target

Environment enhanced with LDA progressed and improvements in PRES plus increased numbers staff engaged in activity

Develop SBE as a commercial vehicle

Milestones

3-5 year plans for institutes and centers with metrics in place
Business startegy for SBE

2. Core Strategic Leadership Objective

Grow international activity

Measures of Success

International income targets met (£11M) and EU numbers grown
Compliant with UKVI and QA requirements
Strengthen partnerships and agents networks

Milestones

Closure of relevant partnerships completed
Clear understanding of TNE number flows and income
Business plan for international numbers

3. Core Strategic Leadership Objective

Utilise Confucius Institute/Caxton House to drive local and international partnerships and income

Measures of Success

- i. Become more comprehensive across London for delivering language classes in school
- ii. Raise the profile of success here with more work on 'graduation' and progression options
- iii. Document and develop School plans for language classes to LSBU students.
- iv. Stronger international profile with other CIs in Chinese Medicine, expansion of the Caxton House clinic.
- v. Commercial profile as a catalyst with industry importing from and exporting to China.

Milestones

- i. Set plan and KPIs, - and Thought leadership to start the development of the Caxton Centre as an international resource.

4. Core Strategic Leadership Objective

Work with local bodies to enhance reputation of LSBU.

Measures of Success

Increase activity with London London First
Maintain commitment WeAreWaterloo
Maintain commitment London Higher
Maintain Commitment GLA
Attain Silver and Gold plan with AFC

Milestones

REI lead on SME support
LURN and AccessHE leadership role achieved
ESIF bids achieved

Pro Vice Chancellor Education and Student Experience

1. Core Strategic Leadership Objective

The Student Journey Transformation Project will progress successfully to its July 2018 milestones (these are being established via the business case at the time of writing), assuming the business case is approved.

Measures of Success

- i. Business case signed off by Executive and the Board.
- ii. Establish project team to support the institutional change process.

Milestones

- i. Business case approved by November 2017.
- ii. Team established by February 2018.
- iii. First project milestones achieved by July 2018.

2. Core Strategic Leadership Objective

Educational Framework and Portfolio Review Programme: implement the LSBU Educational Framework. Reshape of educational offer from an organic sprawl which damages the student journey and makes institutional reporting difficult and inaccurate into a commercially viable framework.

Measures of Success

- i. All courses approved from 2017/8 will comply with the Educational Framework.
- ii. An alternative portfolio model agreed for implementation with effect from September 2018.

Milestones

- i. All course specifications will include core elements of the educational framework w.e.f. September 2017.
- ii. A business case with options for the structure of the academic portfolio will be presented to Executive and Academic Board by June 2018.

3. Core Strategic Leadership Objective

The Digital Step Change Project successfully progressed to July 2018 goals

Measures of Success

- i. Showcase classrooms reconfigured to support digital showcasing and experimentation.
- ii. Implement lecture capture in all larger teaching rooms.
- iii. Partnership established for developing pilot online distance learning courses.
- iv. Business case for digital strategy based on flexibility and the Educational Framework approved.

Milestones

- i. 5 showcase classrooms by July 2018.
- ii. All teaching spaces that seat 80+ students to have lecture capture installed by July 2018.
- iii. Identification of at least 2 courses for development as online distance provision and a clear timeline for preparation and launch by July 2018.
- iv. Business case approved by November 2017.

4. Core Strategic Leadership Objective

Ensure that metrics which influence the University's reputation and quality processes are sustained /improved, as applicable.

Measures of Success

- i. Sustain employability outcome metrics and improve LSBU 2018 national student survey
- ii. metrics by 2% compared to 2017 sector averages

Milestones

- i. DLHE
- ii. Graduate employment or further study - 82%
- iii. All employment or further study - 95%
- iv. NSS -
- v. Teaching on my course - 84%
- vi. Assessment and Feedback - 72%
- vii. Academic Support - 81%
- viii. Overall satisfaction - 84%

Chief Financial Officer

1. Core Strategic Leadership Objective

Financial performance

Measures of Success

- i. Continued strong financial control and delivery in line with agreed budget
- ii. In year financial response to recruitment shortfall

Milestones

- i. Early clarity on targets - September 2017
- ii. Discussions on size/shape - October 2017
- iii. Review investment pots - end November
- iv. Updated forecasts - Board strategy day Spring 2018
- v. Year end result - July 2018

2. Core Strategic Leadership Objective

Planning effectiveness and delivery

Measures of Success

Including smoother, more efficient and timely budget and planning processes with longer term (2/3 year) strategic budget proposals and an effective contribution to step change projects relating to portfolio, management information provision and student record system implementation.

Milestones

- i. Planning and budget proposals developed - November 2017
- ii. Development of balanced scorecard / performance scorecard for Schools and PSGs- Spring 2018
- iii. Delivery of application cycle dashboard - January 2018
- iv. Develop 2/3 year forward rolling plans including budgets - spring 2018

3. Core Strategic Leadership Objective

Group/Family of Institutions

Measures of Success

Effective contribution to Board sub-committee on group structure and other strategic development opportunities to ensure we develop appropriate structures, controls, policies and reporting procedures.

Milestones

- i. Decision on Lambeth College - Autumn 2017
- ii. Agreed proposals from Group sub-committee - Spring 2018
- iii. Align FMI to agreed proposals - Summer 2018

4. Core Strategic Leadership Objective

Pensions

Measures of Success

Analyse and present proposals for modernising the pensions offer for professional service staff.

Milestones

- i. Present outcome of July 2017 FRS102 report - Autumn 2017 committee cycle
- ii. Analysis of costed options - December 2017
- iii. Engage Board - Spring 2018
- iv. Liaise with LPP on proposals - Spring 2018
- v. Implement agreed changes - Summer 2018

5. Core Strategic Leadership Objective

Estates development

Measures of Success

Deliver funding for £160m estates programme including best value financial analysis of estate options and external financing in place for preferred option.

Milestones

- i. Lead on analysis of funding options - December 2017
- ii. Decision on Sinocampus - December 2017
- iii. Agreed solution in place which responds to current financial /recruitment position - Spring 2018
- iv. Go to market with RFP (including re-structure of Barclays existing loans if required) as appropriate - Spring 2018

6. Core Strategic Leadership Objective

Payroll- create effective payroll function with HR

Measures of Success

Improved RAG rating through internal audit assurance programme

Milestones

- i. Reconfiguration of physical space and dual reporting lines - Autumn 2017
- ii. Review and implementation of new automated processes - Spring 2018
- iii. Improved ratings at next KFS internal audit review - Spring 2018

Chief Operating Officer

1. Core Strategic Leadership Objective

Estate Development

To continue to develop the estate development plans, to include St George's development, London Road and options for Technopark. This will include the implementation plan for the move of activities during the redevelopment minimising the disruption to the student experience, working with colleagues across the University and minimising the financial impact of the implementation.

Measures of Success

A positive student and staff experience.

Milestones

- i. Achieve Board approval to the Transformative Estate Development plan in the autumn 2017
- ii. Develop and gain approval for the estate implementation plan Autumn 2017
- iii. Achieve planning for St George's and London Road in spring 2018
- iv. Commence construction in June 2018

2. Core Strategic Leadership Objective

Digital Strategy

To work with colleagues in DEL, CRIT, ICT Innovation and EAE to put in place the infrastructure to deliver the digital learning strategy.

Measures of Success

An infrastructure that enables the strategy to progress.

Milestones

- i. Approval of the ICT technical roadmap September 2017
- ii. Deliver the roadmap through ICT/Innovation capital funding July 2017

3. Core Strategic Leadership Objective

Customer Service and Diversity

To continue to develop the strategies and embed the work across the entire University.

Measures of Success

- i. Further accreditations with the ICS December 2017
- ii. Successful mid term reaccreditation for LLR, Residences, Student Support and Academy of Sport.
- iii. Successful project delivery through the customer services group.
- iv. Successful outcome to the charter marks.
- v. Improved position in relation to EDI aspects of the 2018 employee engagement survey
- vi. Improved integration of technical services across the School and the R&E activities providing clarity on the services offered including teaching/demonstrating.

Milestones

- i. ICS outcomes December 2017
- ii. Improved Technical services ICS score Spring 2018
- iii. Re-enter Stonewall WEI Top 100 list January 2018
- iv. Resubmit Athena Swan Spring 2018
- v. Submit REC Autumn 2018
- vi. Submit Disability Matters chartermark in Spring 2018

4. Core Strategic Leadership Objective Service Integration

To lead on the development of leadership structures for the delivery of an integrated service across the University, MAT and any FE entities, working with the Vice President Development who will lead on the academic delivery, together with the School leadership teams.

Measures of Success

Embedded service functions and integrated delivery across the group, in particular the Academy and the UTC.

Milestones

2-year project:

- i. Work with LSBU leadership on developing a strategy December 2017
- ii. Development and agree leadership structures March 2018
- iii. Develop and agree the Implementation Plan with actions March 2018

Chief People Officer

1. Core Strategic Leadership Objective

Teaching Framework;

Building on the academic framework, to develop a methodology for assessing the caliber of teaching.

Measures of Success

To include metrics that detail a range of expected contributions crossing teaching, research and enterprise. This needs to link to the DEL strategy.

Milestones

To be ready to commence consultation with Unions by January 2018.

2. Core Strategic Leadership Objective

Organisational Effectiveness Review

Measures of Success

Following work on Workforce Planning, and in conjunction with a portfolio review, to develop organisation effectiveness to assess:

- skills gap;
- process simplification;
- single points of failure;
- opportunities for growth.

Milestones

To commence November 2017

3. Core Strategic Leadership Objective

Reporting/ Policies/ Procedures

Measures of Success

- i. Develop a suite of HR 'dashboards' with reliable data and trend analysis;
- ii. Rationalise and modernise HR processes and procedures.

Milestones

November 2017

4. Core Strategic Leadership Objective

Pensions/ Reward/ Recognition

Measures of Success

Develop alternative, modern, financially sustainable and flexible reward system

Milestones

February 2018

5. Core Strategic Leadership Objective

Family of Institutions

Measures of Success

- i. Develop a consistent HR approach to the Family of Institutions, including values and behaviour;
- ii. Work with Paul and Gups on clarifying purpose of SBUEL and the resultant appropriate employment construct;
- iii. Work with Paul and Pat in the development of Executive Education.

Milestones

Ongoing

6. Core Strategic Leadership Objective

Employee Engagement

Measures of Success

- i. Develop a further improvement in staff engagement in survey undertaken in May 2018;
- ii. To include delivery of benchmarks for Race for Equality, Business in the Community and Disability Confident.

Milestones

June 2018

Chief Marketing Officer

1. Core Strategic Leadership Objective

Development of marketing workforce to improve skills and motivation, enhancing capabilities to more effectively deliver best in class programmes

Measures of Success

- i. Reduction in average time to recruit open positions from x to y and achievement of 90% + roles filled by mid-year.
- ii. Reduction in staff turnover from x to y (target to be finalised based on HR data).
- iii. Reduction in sickness related absenteeism from x to y (target to be finalised based on HR data).
- iv. Improvement in staff engagement score from x to y (target to be finalised based on HR data).

Milestones

- i. To have department operating with 70% of positions filled by November, 80% by January and 90% by March 2018.
- ii. To have all man managers across all levels completed sickness management training by December 2017.
- iii. To have worked with OD to scope out consolidated leadership training for HoD by October 2017 and to have had this training delivered by February 2018.
- iv. To have reviewed and revised departmental training needs by January 2018 (based on new recruitment) and to have initiated priority training needs by February.

2. Core Strategic Leadership Objective

Oversee comprehensive and integrated marketing recruitment programme for all under graduate and post graduate segments, to achieve agreed budgeted enrolment and revenue targets 2018/19.

Measures of Success

- i. 72% of FT / UG applications received ahead of clearing.
- ii. (2,500) fully enrolled FT UG students.
- iii. (988) fully enrolled HSC commissions students.
- iv. (775) fully enrolled PT UG students.
- v. (1,282) fully enrolled FT PG students.
- vi. (782) fully enrolled PT PG students .
- vii. (800) fully enrolled apprenticeship students.

All targets are provisional only and will be adjusted following the end of the 2016/17 recruitment cycle, linked to a revision of the financial targets for 2018/19 and greater clarity on the market dynamics affecting under-graduate recruitment across the UK.

Milestones

- i. Complete thorough analysis of 2016/17 recruitment cycle by end November.
- ii. To have sized the market for post-graduate recruitment by end September 2017 based on currently available data.
- iii. To have worked with marketing agencies and team to create 24 month rolling recruitment plan covering all channels by end October 2017.
- iv. To have developed new advertising creative work to drive recruitment and brand marketing by end October 2017 balancing the opportunity for PG v UG recruitment.

3. Core Strategic Leadership Objective

Development of LSBU brand architecture and brand toolkit. Brand positioning campaign deployed through consistent brand advertising, public relations, internal communications.

Measures of Success

- i. 5% point increase in spontaneous awareness amongst LSBU aspirational applicant group.
- ii. 5% point increase in prompted awareness amongst LSBU aspirational applicant group
- iii. 3% point increase in each of the characteristics associated with LSBU per applicant. brand tracker survey (subject reputation, employment prospects, connections to business, (i.e. accreditation).

Milestones

- i. Brand architecture project commenced by September and completed by January 2017 including approval by VC / Exec.
- ii. Brand creative refresh project commenced by September and completed by January 2017 including new look and feel developed for LSBU marcomms
- iii. New creative advertising campaigning in market by October 2017.
- iv. PR agency procurement commenced by September, agency appointed by December and new brand focused PR campaign commenced by January 2018.

4. Core Strategic Leadership Objective

Lead market appraisal of LSBU portfolio at a subject level, leveraging market and competitor intelligence to identify areas for strategic portfolio development. Establish more effective programme to development and approval of new courses, aligned to market opportunity and reflecting appropriate lead times.

Measures of Success

- i. Full market appraisal of completed for all schools covering top line subject level demand.
- ii. Review of agreed competitor portfolios at a subject level with recommendations for LSBU portfolio development.
- iii. New course approval process agreed incorporating market, financial and quality considerations.

Milestones

- i. Market and competitor appraisal for UG / PG provision completed by mid October 2017.
- ii. Second stage of subject level market and competitor appraisal completed by end September and shared with schools by mid-October 2017.
- iii. Revised course approval (business case document) designed and approved by end October.

5. Core Strategic Leadership Objective

Oversee development of digital strategy and fully costed implementation plan for customer recruitment and conversion, reflecting a significant step change in digital experience to enhance customer recruitment, engagement and conversion across digital platforms including website.

Measures of Success

- i. Review of best in class digital customer engagement approaches in and out of sector.
- ii. Definition of digital vision and desired digital customer experience for LSBU marketing
- iii. Testing of concept with students.

- iv. Development of costed business case (to design, build and implement) for digital transformation.

Milestones

- i. Agency partner identified by end September 2017.
- ii. Project commenced by October 2017.
- iii. Development of digital vision and initial recommendations for development by end January 2018.
- iv. Testing of concepts with students by end March 2018.
- v. Business case for development by May 2018 in line with budgeting process.

6. Core Strategic Leadership Objective

Develop clear customer journeys for multiple LSBU student profiles which map out the current versus desired customer experience across the entire life cycle. With stakeholders, identify and agree priorities for enhancements to the customer experience. Work with stakeholders to implement quick wins and develop investment case/s for enhancements that have a material impact on resources.

(This objective feeds into the wider strategic project lead by Shan which incorporates the SRS. Progression is subject to funds being available to support prioritised 'step change' initiatives)

Measures of Success

- i. Creation of student personas for each student segment.
- ii. Map the current versus desired student journey / experience for each segment.
- iii. Validate / test student journey for each segment.
- iv. Identification and implementation of quick wins.
- v. Investment case for more substantive enhancements.

Milestones

- i. Project commenced November 2017 following confirmation of budget allocation at end of recruitment cycle.
- ii. Customer journey mapping completed by end January 2018.

Company Secretary

1. Core Strategic Leadership Objective

To advise Jerry Cope, chair of the board, as required and to review the succession plan for the board of governors.

Measures of Success

Feedback from chair

Milestones

Depends on chair's requirements during the year

2. Core Strategic Leadership Objective

To advise the chair of the board on the subcommittee's review of the LSBU group governance and implement its findings.

Measures of Success

- i. MOUs in place for subsidiaries and implementation recommendations.
- ii. Streamlining of the professional governance service for the two academy local governing bodies within South Bank Academies.

Milestones

Subcommittee meetings and report to the board of governors.

3. Core Strategic Leadership Objective

To provide legal support and due diligence for key projects such as overseas developments and FE.

Measures of Success

- i. Review of legal risk completed following completion of project Larch, or in-house FE project.
- ii. Review risks around potential JV developments.

Milestones

- i. Relevant reports to executive to enable assessment of risk and any necessary assurance reports to board / subcommittees.

4. Core Strategic Leadership Objective

To sponsor a GDPR compliance plan over 2-3 years, including a business case for costs and resources required to complete the plan.

Measures of Success

Plan produced and communicated, resources approved by executive

Milestones

- i. Approval of plan by executive
- ii. Key project milestones to be identified in project plan

5. Core Strategic Leadership Objective

To participate in the definition of shared services within a group of companies and, if necessary, the project to establish them.

Measures of Success

Contribution to meeting / review and comment on any proposal

Milestones

As at September 2017, depends on outcome of Project Larch / in-house FE project.

6. Core Strategic Leadership Objective

To scope a project to simplify the set of corporate policies by re-writing in plain English.

{note any external writing/editing expertise is uncosted / unbudgeted}

Measures of Success

As above

Milestones

As above

MAT Chief Executive Officer

1. Core Strategic Leadership Objective

- i. Complete the establishment of the UTC, ensuring the completion and occupation of the Phase 1 and the delivery of the Phase 2 building of the UTC's permanent accommodation.
- ii. Ensure procurement of engineering and IT equipment for the UTC and the Academy is completed achieving best value for money.
- iii. Facilitate the relocation of the UTC into the permanent accommodation ensuring business continuity.

Measures of Success

- i. Phase 1 of the UTC permanent building complete, fitted out with appropriate equipment and furniture for purpose and compliant.
- ii. Design and specification of Phase 2 signed off, construction complete to meet the requirements of UTC's provision.
- iii. Engineering and Product Design equipment procured to specification and installed for 2018/19 school year

Milestones

- i. Measure 1. September 2017
- ii. Measure 2. July 2018
- iii. Measure 3. August 2018

2. Core Strategic Leadership Objective

- i. Undertake a fundamental review of quality of learning and teaching, and student achievement provision and ensure measures are in place at both the Academy and the UTC to enhance teaching quality and student achievement.
- ii. Provide enhanced student enrichment programmes.

Measures of Success

- i. Learning and teaching at Ofsted Good or better as assessed by independent Ofsted Inspector.
- ii. Student achievement at or above national average as assessed by independent verification.
- iii. Student success at national and international STEM activities and competitions.

Milestones

- i. Measure 1. July 2018
- ii. Measure 2. July 2018
- iii. Measure 3. July 2018

3. Core Strategic Leadership Objective

- i. Provide support to the VC for the Lambeth College merger and the development of L2 and L3 technical education provision.
- ii. Develop proposals for a new Technical Academy and support the submission and negotiations with DfE and ESFA for funding approvals.

Measures of Success

- i. Measure 1. Provide support with the academic portfolio review and develop criteria based programme development structure for Lambeth College.
- ii. Measure 2. Working with the VC and the DVC, develop a L2 and L3 provision that aligns with the offer with the MAT and LSBU.

- iii. Measure 3. Develop a proposal to establish "South Bank Technical Academy" in South London.

Milestones

- i. Measure 1. April 2018 (based on a merger agreement by December 2017)
- ii. Measure 2. July 2018
- iii. Measure 3. January 2018

4. Core Strategic Leadership Objective

- i. Develop proposals for repositioning the UTC to ensure its viability into the future.
- ii. Engage DfE and other stakeholders to achieve their agreement to expand the current provision to include years 7 to 13 provision to achieve viable student numbers.

Measures of Success

- i. A business case developed for expanding the UTC's provision to include Years 7 - 13.
- ii. Achieve the support of the DfE and other sponsors for the change of the scope from Years 14 - 18 to 7 - 18.
- iii. Undertake consultation with staff, students and parents in preparation for the UTC to receive students into Year 7 from 2019 school year.

Milestones

- i. Measure 1. January 2018
- ii. Measure 2. February 2018
- iii. Measure 3. June 2018

5. Core Strategic Leadership Objective

- i. Provide direction for the Nat Puri Institute, developing its strategy and programmes.
- ii. Re-establish the NPI team and an Advisory Board to support the NPI strategy and direction.

Measures of Success

- i. Measure 1. Recreate the NPI team.
- ii. Measure 2. Develop a strategic plan and an operating plan.
- iii. Measure 3. Demonstrate impact through research outputs, seminars and workshops.

Milestones

- i. Measure 1. October 2017
- ii. Measure 2. October 2017
- iii. Measure 3. June 2018.

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	CONFIDENTIAL
Paper title:	How LSBU meets HEFCE guidance and the ACEVO good pay guide for senior staff
Board/Committee	Remuneration Committee
Date of meeting:	23 November 2017
Author:	Joanne Monk – Deputy Director of HR
Executive sponsor:	Mandy Eddolls, Director of Organisational Development and HR
Purpose:	To discuss how LSBU meets HEFCE and ACEVO guidance; to note the statement on senior pay for the annual report and to consider whether further information should be put in the public domain such as executive salaries and ratios between highest and lowest pay.
Recommendation:	To note the statement on senior pay for the annual report.

Background

There is significant student and public interest in the remuneration of heads of HEFCE-funded higher education institutions. Student interest has grown as the funding of higher education has moved increasingly from government grants to student fee loans. There is also considerable press interest, with HEIs and other charities being challenged and held to account for high levels of pay for their chief executives. LSBU has received Freedom of Information requests (4 since January 2017) from the press and the UCU (Universities and College Union) and on 19 August 2017 University Chairs of Governors/Councils received a letter from Lord Andrew Adonis requesting a copy of the University's policy on proportionate pay referring to HEFCE's circular letter of June 2017 (annex 1) and the ACEVO Good Pay Guide for Charities and Social Enterprises (annex 2). A copy of this letter and the University's response is at annexes 3 and 4.

HEFCE circular letter of June 2017

In its letter of 15 June, HEFCE provided guidance to support governing bodies in their determination of severance payments and the setting of the remuneration of the head of institution and staff earning over £100,000 per annum. Attached at annex 5 are details of staff at LSBU as at 31 October 2017 in this category.

In relation to remuneration the HEFCE guidance states (paragraph 9):

‘Remuneration committees should be responsible for the determination of appropriate remuneration of the head of institution and senior officers in an HEI. In doing so, we recommend that the committee should:

- a. Consider the remuneration in the context of charity law – namely the obligation for trustees to use charity funds and assets only to further their charitable purposes
- b. Follow the principles of the Higher Education Code of Governance published by the Committee of University Chairs (paragraph 5c)
- c. Have regard to ‘The Good Pay Guide for Charities and Social Enterprises’ guidance for charities (annex 2)
- d. Consider legal advice, if the governors feel that this is necessary to inform their decision making.’

Paragraph 5c states:

‘As recommended in the Higher Education Code of Governance governing bodies must establish a remuneration committee; this 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 it to ensure that it has appropriate experience available to it’.

ACEVO Good Pay Guide

The ACEVO Good Pay Guide for charities sets out 5 principles when considering pay for senior executives:

1. **Transparency:** Being open about how pay is set with:
 - Easily accessible, well promoted corporate information and plans;
 - Clear articulation of how value for money of executive pay is assessed, and publically available procedures for setting pay;
 - Executive salaries (either precise figures or in bands) are published;
 - Published and easily accessible ratios between highest and lowest pay.
2. **Proportionality:** Being fair and consistent with:
 - Remuneration levels linked to regular and objective performance appraisals;
 - Executive salaries benchmarked against comparable roles within the organization, the sector and similar sectors.
3. **Performance:** Ensuring that salaries work for the institution and beneficiaries by regular, formal appraisals that are confidential, objective, and impartial with assessment made against clear, measurable and agreed objectives.
4. **Recruitment and Retention:** Keeping valued staff within the organization.

- 5. Process:** Ensuring that the principles of good pay are supported by appropriate procedures and policies including establishment of a remuneration committee with delegated responsibility for deciding executive salaries.

Current Arrangements at LSBU

LSBU currently meets the requirements of the HEFCE code and principles of the AVECO good pay guidance:

We have a remuneration committee that meets at least annually to determine the remuneration of Senior Post Holders, including the Vice Chancellor, and to note pay and objectives of Executive members (annex 6).

Membership of the committee is four independent governors, including the Chair of the Board. The Committee is chaired by an experienced independent member. The Vice Chancellor is not a member of the Committee.

The Committee considers for Senior Posts Holders (and notes for members of the Executive):

- **Annual pay increases.** Salary levels are benchmarked against comparable institutions and wider sector comparators (using surveys such the UCEA Senior Staff Remuneration Survey) and take into account the annual pay uplift for staff;
- **Annual performance bonuses** (up to a maximum of 10% of salary). Bonuses are only considered providing the overall financial performance of the University has been met. Individual bonus levels are assessed against measurable objectives through the appraisal process.

The university has a regular, formal appraisal system. Appraisals are confidential, objective, and impartial with assessment made against clear, measurable and agreed objectives for all staff. Those for senior leaders and the Executive managers' measure both performance against objectives the University's values (the 'what' and the 'how') in determining bonus levels.

However, some of the ACEVO recommendations around transparency, scrutiny and publication may need further consideration and the Committee is asked to consider whether, for example, we should publish:

- How executive pay is assessed, and make publically available procedures for setting pay
- Senior salaries (more precise figures for certain posts such as senior post holders or for salaries over a certain level - £100K or £150K)
- Ratios between highest and lowest pay

Annual report

In response to the interest in senior pay in HEIs, CUC are putting together a voluntary code of practice on senior pay for England. Such a code is unlikely to be forthcoming until April 2018; in the meantime the following statement on remuneration, subject to

Board approval, is to be included in this year's annual report:

'Senior pay, including the pay of the Vice Chancellor, is overseen, and for designated posts is determined, by a Remuneration Committee, composed of Independent Board Members, and chaired by an experienced Independent Member. The Vice Chancellor is not a Member of this Remuneration Committee.

The Committee, in making its determination, considers remuneration levels specifically in comparable institutions, but also more widely in the Sector; it seeks to ensure, based on good performance, that remuneration in LSBU is competitive and comparable to those comparator Institutions. The Committee also considers as a key input the level of pay increase that has been made to staff generally. The Committee further considers a report on the performance of Senior post holders against individual measurable stretching objectives and may award bonuses of up to 10% for clear achievement of those objectives, but only providing the overall financial performance of the University has been met.'

Higher Education Funding Council for England

Title	Guidance on severance pay and the remuneration of senior staff
To	Heads of HEFCE-funded higher education institutions
Of interest to those responsible for	Boards of governors, Audit committees, Remuneration committees, Secretaries and clerks to boards of governors, Finance, Audit
Reference	Circular letter 17/2017
Publication date	15 June 2017
Enquiries to	Jacqui Brasted, tel 0117 931 7389, email j.brasted@hefce.ac.uk

Dear Vice-Chancellor

Guidance on severance pay and the remuneration of senior staff

1. There is significant student and public interest in the remuneration of heads of HEFCE-funded higher education institutions (HEIs) and in the severance payments and packages received by those vacating office. Student interest has grown as the funding of higher education (HE) has moved increasingly from government grants to student fee loans, with students taking a greater interest in how this money is used. There is also considerable press interest annually in these matters, with HEIs and other charities being challenged and held to account for high 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 the HEI and the HE sector. Here we provide guidance to support governing bodies in their determination of severance payments and the setting of the remuneration of the head of institution and staff earning over £100,000.
2. HEFCE has a regulatory interest in these matters:
 - a. Under the Memorandum of Assurance and Accountability (HEFCE 2016/12), which comprises Part 1 of the terms and conditions for payment of HEFCE grants, the governing bodies of HEIs must use public funds for proper purposes and seek to achieve value for money from public funds.
 - b. For those HEIs that are charities, whether they are registered or exempt 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.
3. The guidance below is intended to support governing bodies in delivering their funding, charitable and other regulatory obligations in their determination of severance payments to outgoing senior staff and the setting of the remuneration of the head of institution and staff earning over £100,000.

Compensation for loss of office

4. This HEFCE circular letter replaces previously published HEFCE guidance on severance payments following a review undertaken in the context of changes in the private, voluntary and public sectors.
5. The principles that should apply when decisions are taken about severance payments in HEIs are as follows:

- a. 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) – these are selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
- b. 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.
- c. As recommended in the Higher Education Code of Governance published by the Committee of University Chairs (available at www.universitychairs.ac.uk/publications/), governing bodies must establish a remuneration committee; this 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 it to ensure that it has appropriate experience available to it. The remuneration committee must propose any severance packages for senior staff and seek legal advice before making its recommendation to the governing body.
- d. In agreeing any severance package, the governing body must consider their responsibilities as charity trustees, particularly the use of charitable funds and assets only to further the charitable purposes of their HEI.
- e. Governing bodies should have regard to the outcomes of the Government's consultation on reforms to public sector exit payments that are intended to make exit terms fairer, more modern and more consistent; these were published in February 2016 at <https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments>.
- f. 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 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.
- g. An HEI considering severance payments needs to ensure that it is being fair and equitable in its decision-making about different groups of staff.
- h. Compulsory severance packages should be based on contractual entitlements, and any applicable statutory employment entitlements. This means that, when entering into employment contracts, remuneration committees should take care not to expose the institution to excessive potential liabilities.
- i. Negotiations about severance packages and payments should be informed, on both sides, by appropriate legal advice.
- j. When a severance arises following poor performance on the part of an individual, any payment should be proportionate, and there should be no perception that poor performance is being rewarded.
- k. Final-year salaries should not be inflated to boost pension benefits.

6. The final requirement that needs to be considered in greater detail than those set out above concerns the subject of confidentiality clauses. 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, on balance, to be a cost-effective way of resolving disputes to the satisfaction of both sides and allowing the organisation to move on. HEIs also need cost-effective solutions and to be able to move on, but this has to be balanced by public requirements for accountability and openness.

7. Our guidance to HEIs therefore is that compromise agreements 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 (PAC). 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 HEFCE Accounting Officer or the NAO.

8. HEIs are publicly funded and subject to the Memorandum of Assurance and Accountability with HEFCE. Ultimately any inappropriate or improper severance decisions could result in criticism from Parliament. If in doubt, institutions are invited to contact the HEFCE Chief Executive for advice in this area as the Accounting Officer answerable to Parliament for HEIs' use of public funds.

Remuneration of senior staff

9. Remuneration committees should be responsible for the determination of appropriate remuneration of the head of institution and senior officers in an HEI. In so doing, we recommend that the committee should:

- a. Consider the remuneration in the context of charity law – namely the obligation for trustees to use charity funds and assets only to further their charitable purposes
- b. Follow the principles of the Higher Education Code of Governance published by the Committee of University Chairs (see paragraph 5c)
- c. Have regard to the 'The Good Pay Guide for Charities and Social Enterprises' guidance for charities issued by the Association of Chief Executives of Voluntary Organisations (available at <https://www.acevo.org.uk/good-pay>, at the bottom of the page).
- d. Consider legal advice, if the governors feel that this is necessary to inform their decision-making.

Summary

10. The requirements set out above should be sufficient to help remuneration committees make decisions about severance payments and agreements, and about the remuneration of senior officers. We accept, however, that each case is unique and has to be judged on its merits. On occasions it might be difficult, for example, to strike a balance between a particular level of payment and the risk of greater cost should a case end up at an employment tribunal. At the same time, severance payments should not substitute for addressing poor performance. Our advice to governing bodies and remuneration committees is always to bear in mind the principles set out above and to record clearly the rationale behind their decisions, including any divergence from the above guidance.

Yours sincerely

Professor Madeleine Atkins

Chief Executive

3.12 The Audit Committee **must** be composed of a majority of independent members (who may also be drawn from outside the governing body) and produce an annual report for the governing body, including: its opinion on the adequacy and effectiveness of the institution's risk management, control and governance arrangements; processes for promoting value for money (VFM) through economy, efficiency and effectiveness; and (in institutions receiving funding body support) the management and quality assurance of data.

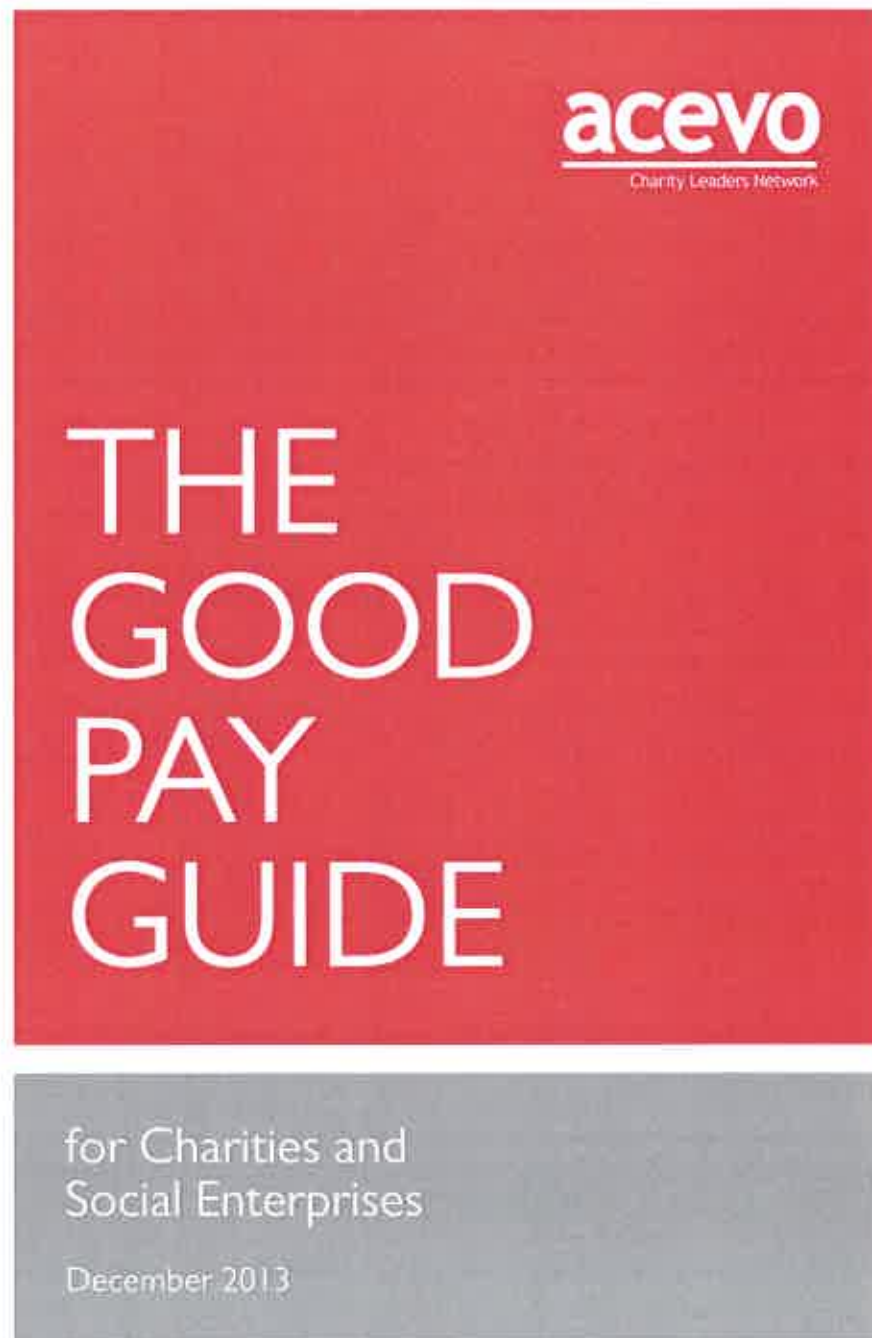
Remuneration

3.13 The proper remuneration of all staff, especially the Vice-Chancellor and his/her immediate team, is an important part of ensuring institutional sustainability and protecting the reputation of the institution. Accordingly governing bodies **must** establish a Remuneration Committee to consider and determine, as a minimum, the emoluments of the Vice-Chancellor and other senior staff as prescribed in constitutional documents or by the governing body.

3.14 The Remuneration Committee composition **must** include the Chair of the governing body, be composed of a majority of independent members (who, as with audit, may also be drawn from outside the governing body) and have appropriate experience available to it. The Vice-Chancellor or other senior staff may be members of, or attend, the Remuneration Committee but **must not** be present for discussions that directly affect them.

3.15 The Remuneration Committee **must** consider comparative information on the emoluments of employees within its remit when determining salaries, benefits and terms and conditions and ensure that all arrangements are unambiguous and diligently recorded. It **must** report on its decisions and operation at least annually to the governing body; such a report should not normally be withheld from any members of the governing body.

3.16 Remuneration Committee members **must** consider the public interest and the safeguarding of public funds alongside the interests of the institution when considering all forms of payment, reward and severance to the staff within its remit.



Foreword

By Lesley-Anne Alexander CBE,
Chair of ACEVO and CEO of RNIB

For years the charity sector has become more complex and more professional as we bring our services to many more beneficiaries and causes across the country. In many cases these changes have gone unnoticed and the challenge of what it means to run a twenty-first century charity has remained out of the public eye. Guidance for trustees and remuneration committees remains thin on the ground.

That is why it gives me great pleasure to welcome ACEVO's Good Pay Guide for Charities and Social Enterprises. For more than two decades, the annual ACEVO Pay Survey has acted as the essential reference on executive pay in larger charities and voluntary organisations.

The 2013/14 Survey added weight to the sector's ongoing drive to be transparent about pay levels. It also highlighted the need to continue

tackling inequalities including the regional and gender differences in Chief Executive pay. The exciting thing about this guide is that it is a practical tool and reference document for trustees and remuneration committees grappling with the question of how to deliver value for money for beneficiaries, donors and staff. I hope that this useful tool will, in time, become established as a similarly well-respected statement of best practice on the transparency and good governance necessary when setting Chief Executive pay.

Readers will know that this Guide should be merely the beginning of a wider public conversation. I welcome this debate as an opportunity to shine a light on the great work of charities up and down the country and I hope these principles will be adopted as best practice right across the sector.

Lesley-Anne Alexander CBE
December 2013

Introduction

Today's charity and social enterprise sector is a huge contributor to our economy. The sector employs around a million people and turns over £38bn each year.¹ Yet with increased responsibility and organisational diversity has come increased scrutiny. And during this time perhaps no issue has been more contentious than that of senior executive pay.

At the heart of this question is a growing debate: how does professionalism sit alongside the non-profit ethos and public service values that define the sector?

At ACEVO we believe that professionalism does not conflict with the values that lie at the heart of charities. We see good management, good staff and good values as mutually reinforcing. Experience shows that committed, professional charity employees, with the support of their boards, produce exceptional outcomes for the beneficiaries and causes that they serve. And good, strong leadership is essential to high productivity throughout an organisation, whether that sector is public, private or charities and social enterprise.

This short guide aims to help boards ensure that employee pay best serves their charitable aims and objectives. It focusses on five principles of good pay for charities and social enterprises.

¹ UK Civil Society Almanac 2012 (NCVO), available at <http://data.ncvo.org.uk/>



The Five Principles of Good Pay



At ACEVO we believe good pay means that boards, beneficiaries, supporters and employees agree that it provides value for money. We hope that our five principles of good pay will help to guide charities and their trustees considering these complex issues.

Context: The challenge for a diverse sector

A third of respondents to a recent opinion poll felt that charity chief executives should not be paid at all.^{1A} This suggests that many people retain a traditional perception of charity as the preserve of unpaid volunteers. However, this view does not reflect the breadth and scope of the third sector as it exists today.

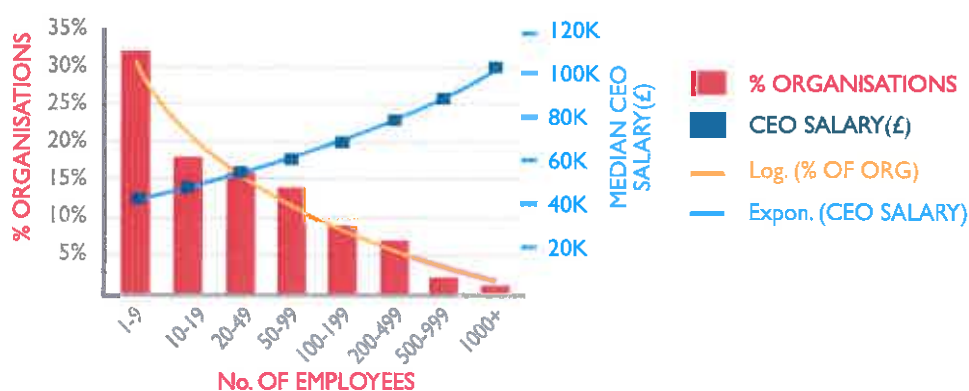
There are over 163,361 registered charities in the UK, carrying out a vast range of different activities and varying enormously in size and scope.² The range of the sector extends from national or international organisations turning over hundreds of millions of pounds per year, to small charities and community organisations operating on minimal budgets.

4 ■ ^{1A}. <http://nfsynergy.net/public-give-their-opinions-charity-staff-pay> ². NCVO, UK Civil Society Almanac 2012 (2012), <http://data.ncvo.org.uk/> [Accessed 12 December 2013].

The large majority of charities are clustered at the smaller end of the scale:

- 42% of registered charities have an annual income under £10,000
- fewer than 25% have an annual income of more than £100,000.³

Very large charities will have significantly different staffing requirements to their smaller counterparts, and a very different level of resource to fund staff remuneration. There is, consequently, a close correlation between organisational turnover and senior staff pay levels. The most recent ACEVO Pay Survey shows that median chief executive salary usually reaches the £100,000 level when the number of employees reaches 1,000 (not including volunteers).⁴



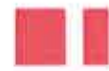
Chief executive pay correlates closely with charities' revenue levels. Median CEO salary is only £34,600 for charities turning over less than £150,000 a year, whereas the median exceeds the £100,000 threshold as charities reach an annual revenue of £25-50 million. Similar variations can be found between charity sub-sectors: the median CEO salary at sports charities was £78,858 (the highest median) compared to £49,000 for religious charities.⁵

This level of diversity presents a challenge. It is impossible to apply 'one-size-fits-all' structure on senior staff remuneration across the whole of the voluntary sector. That's why this guide aims to set out the principles that should inform trustees' thinking during the decision-making process.

3. <http://www.dsc.org.uk/PolicyandResearch/News/CharityPayhaveyoursay> [Accessed 12 December 2013]. 4. ACEVO Pay Survey 2013/14, http://www.acevo.org.uk/leadingtheceoandchair?&nccsm=21&__nccspID=1103 [Accessed 12 December 2013]. 5. ACEVO Pay Survey 2013/14.



Principle 1: Transparency



Transparency is the first principle of good pay and is crucial if the voluntary sector is to retain public trust. The Edelman Trust Barometer, a yearly publication from the eponymous public affairs firm, shows that charities and social enterprises are consistently ranked among the most trusted organisations across various sectors. This is the case in many different countries, and it has remained relatively constant through time.⁶ However, maintaining that trusted status demands increasing openness from charities, no matter how established they are. Charities need to move with the times.

Given the high profile attached to senior executive pay in any walk of life, and the potential for such decisions to provoke public misunderstanding and anger, transparency in relation to how remuneration levels are set is essential to good practice. Lack of openness around corporate governance can erode trust in any institution. Indeed, charities should welcome transparency and debate, and the light this sheds on their work.⁷

The Mechanics of Transparency

Transparent governance for charities requires that, so far as possible, the organisation's decisions, activity, strategy and processes are open to all. They must be accessible and understandable by beneficiaries, funders and donors, employees and volunteers, and the general public.

Transparency will be achieved by clear and frequent communication with all stakeholder groups. It is the responsibility of charity boards, working in conjunction with senior management, to foster an organisational culture of transparency and openness, and to ensure that the necessary mechanisms are in place to support it in practice.

At minimum, these mechanisms should include:

- Easily-accessible and well-promoted corporate information,
- An easily-accessible corporate plan,
- Clear articulation of how the value for money of executive pay is assessed, and
- Where collaboration supports charitable objectives and does not contravene the corporate plan, the presumption that it should be carried out openly with other organisations.

⁶. Edelman Insights, *Edelman Trust Barometer 2013*. <http://www.slideshare.net/EdelmanInsights/global-deck-2013-edelman-trust-barometer-16086761>. [Accessed 1 December 2013]. ⁷. Wikipedia, 'United Kingdom parliamentary expenses scandal'. http://en.wikipedia.org/wiki/United_Kingdom_parliamentary_expenses_scandal. [Accessed 10 December 2013]

Charity boards must also be aware of the differing expectations of different audiences and groups. For example, with funders and the general public, transparency demands that:

- Procedures for setting pay are made publicly available for scrutiny,
- Executive salaries, (either precise figures or in bands) are published,
- The lowest salaries in the organisation, and the ratio between highest and lowest pay, are easily accessible, and,
- The charity's outputs and impact are reviewed and a decision is taken on how they are published.

With beneficiaries, transparency additionally demands a meaningful dialogue and consultation on service levels and quality. With employees, transparency additionally demands that they have access to corporate governance procedures and other corporate information. Trustees are ultimately responsible for a charity's governance – and the setting of pay – so it is in their interests to be prepared to be transparent about their decision-making.

CASE STUDY 1:

Christian Aid – communicating the CEO's value

In August 2013, in response to media criticism of foreign aid charities, Christian Aid published a press release detailing how and why their Chief Executive, Loretta Minghella OBE, receives her salary. The publication was particularly effective in outlining the role of the organisation's Chief Executive, and their policy 'of not paying higher salaries than are necessary and/or reasonable'.⁸

It also outlined:

- A summary of how the Board of Trustees set pay
- The Chief Executive's previous experience that made her suitable to the role
- How many other Directors receive large salaries
- A summary of how executive salaries are regularly benchmarked against the sector, against external guides to fair pay, and against other economic indicators such as average weekly earnings and the consumer price index.

We suggest that this type of document is routinely published by larger, more complex charities – not just in their annual report – and that every effort is taken to draw public attention to it.

⁸. Christian Aid, 'Comment: Loretta Minghella's salary 2012/13' (August 2013). <http://www.christianaid.org.uk/pressoffice/pressreleases/comment/loretta-minghella-salary-2012-13.aspx> [Accessed 10 December 2013].

Principle 2: Proportionality



What is proportionate pay? It is a contentious question, especially in the voluntary sector. Charity workers cannot point to record sales or growing profit margins to justify their remuneration. Any discussion of proportionality in the voluntary sector requires an understanding of the diverse and complex range of activities that charities undertake, and of the importance of talented and experienced staff to the fulfilment of charities' public benefit objectives.

The enormous diversity of the voluntary sector makes it difficult to issue blanket guidelines as to what constitutes 'proportionate' pay.

So where should a trustee go for guidance? A good principle on remuneration is found in the Financial Reporting Council's UK Corporate Governance Code:

"Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance."

"There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration."

Clearly, it is less simple to reward performance in a non-profit organisation than in a private company. However, charities should ensure that remuneration levels are linked to a regular and objective system of performance appraisal, and benchmarked against comparable roles.

8



9. Financial Reporting Council, *The UK Corporate Governance Code* (September 2012), <http://www.iod.com/guidance/briefings/bis-corporate-governance>. [Accessed on 10 December 2013]. p. 7.

B) Within the sector

Many large charities may 'benchmark' their executive pay against trends such as those identified in the ACEVO Pay Survey. This survey has been published for more than two decades, and includes a comprehensive summary of CEO salaries and how they vary according to organisation size and type, alongside extensive information on good governance and the backgrounds from which CEOs are drawn.

In addition, boards may wish to supplement benchmarking data with more current data drawn from recruitment consultants or headhunting agencies. Benchmark data is usually slightly out of date due to the data collection methods used. Recruitment agencies are likely to have access to the latest market rates for comparable roles within the sector, so boards may wish to make use of this when using an agency.

C) Other comparable sectors

Pay is often set not only according to the dictates of the organisation, and the job market in the sector, but also with consideration of average senior pay in other comparable sectors.

These include:

- Senior Civil Servant - median £77,000¹³
- Member of Parliament - £65,737¹⁴
- NHS Consultant Doctor - basic salary between £75,249 and £101,451¹⁵
- NHS General Practitioner in a CCG - basic salary between £54,319 and £81,969¹⁶
- Senior NHS Nurse - basic salary between £77,850 and £98,453¹⁷
- Police Chief Constable - between £127,000 and £181,455¹⁸
- University Vice-Chancellor – mean £214,201¹⁹

¹³. Pay level in 2012. House of Commons Library Standard Note SN/SG/4675, 'Civil servants' and MPs' salaries' (16 July 2013). ¹⁴. Pay level in 2013. See House of Commons Library Research Paper 13/33, 'Members' pay and expenses - current rates from 1 April 2013' (31 May 2013). ¹⁵. NHS Careers, 'Pay for Doctors'. <http://www.nhscareers.nhs.uk/explore-by-career/doctors/pay-for-doctors/>. [Accessed on 10 December 2013]. ¹⁶. NHS Careers, 'Pay for Doctors'. ¹⁷. NHS Careers, 'Agenda for Change – Pay Rates'. <http://www.nhscareers.nhs.uk/working-in-the-nhs/pay-and-benefits/agenda-for-change-pay-rates/>. [Accessed 10 December 2013]. ¹⁸. Police Oracle, 'Police Pay Scales'. http://www.policeoracle.com/pay_and_conditions/police_pay_scales.html. [Accessed 10 December 2013]. ¹⁹. Grant Thornton, 'Survey of Vice-Chancellors' Remuneration 2011-12 for Times Higher Education' (March 2013). <http://www.timeshighereducation.co.uk/download?ac=8048> [Accessed 10 December 2013].

The Mechanics of Proportionality

A clear policy on proportionate pay will be useful to trustees when responding to public queries. One such example is the international development charity CAFOD, which is examined in the following case-study.

Trustees have three main measures to evaluate the proportionality of their salaries: comparison within the organisation, comparison within the sector, and comparison versus similar sectors.

A) Within the organisation

Senior executive pay will generally be linked to that of other directors. It will be set after considering organisation turnover, number of employees, in-job risk, pay of other directors and any other benefits and incentives (for example pension contributions).

The charity sector is notable for relative equality between its highest- and lowest-paid employees. Comparing the median pay of ACEVO members - £60,000 in the latest ACEVO Pay Survey - to the UK living wage as set annually by the Centre for Research in Social Policy at Loughborough University, it may be estimated that organisational pay ratios in charities with Chief Executives are typically between 3:1 and 5:1.¹⁰

This contrasts favourably with ratios in other sectors such as universities (national average around 18:1)¹¹ and local government (national average around 15:1), and very favourably with large corporations like the FTSE 100 (whose average in 2011 was 262:1).

The Hutton Review of Fair Pay emphasised the value of annually publishing the ratio of top-to-median pay. It concluded that a statutory cap on pay ratios in the public sector would be counterproductive, due to the diversity of organisations affected.¹² It thus drew a very similar conclusion to ACEVO: good pay means value for money, transparently set and communicated, and so it is different in every organisation.

¹⁰. The UK Living Wage (outside London) is currently set at £7.65 per hour, which equates to £13,923 per annum for a 35-hour week. It is updated annually by the Centre for Research in Social Policy at Loughborough University. ¹¹. The Fair Pay Campus Report 2013, <http://fairpayunis.wordpress.com/> [Accessed 10 December 2013]. ¹². Hutton Review of Fair Pay in the Public Sector: Final Report (March 2011). http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/hutton_fairpay_review.pdf [Accessed 10 December 2013].

Principle 3: Performance



In the voluntary sector, rewards for performance cannot include, for example, share options as in the private sector. The 2013/14 ACEVO Pay Survey reports that 82.8% of Chief Executives in the sector are on defined contribution or money purchase pension schemes, rather than the more generous final salary or defined benefit schemes still prevalent in other sectors.

Trustees will take their own view on the levels of pay that are appropriate to the targets they require. This section focusses therefore on how to measure and appraise the performance of senior executives.

The Mechanics of Performance

The Code of Good Governance for the Voluntary Sector recommends 'proper and formal arrangements for the chief executive's appointment, supervision, support, appraisal and remuneration.'²³ ACEVO strongly recommends that Chief Executives take part in regular formal appraisal procedures, carried out by the Chair and Trustees.²⁴

This principle remains far from universal within the sector. At present, more than a quarter of charity Chief Executives do not receive a formal appraisal.²⁵

Characteristics of good performance appraisal²⁶

- Confidential
- Objective and impartial, with assessment made against clear, measurable and agreed objectives based on the previous appraisal
- Conclusions, future targets and any other findings to be recorded in writing
- Proportionate to the size, resources and aims of organisation
- Based on a pre-agreed and understood structure and format which is consistent from year to year, enabling comparison over time
- Plenty of notice given for preparation in advance
- Includes an element of self-appraisal to increase CEO input into the process and enable them to air any concerns
- Includes an opportunity for board members to input their opinions and experiences
- Takes place on a regular and predictable basis (usually annually)

²³. *Good Governance: A Code for the Voluntary and Community Sector*, <http://www.governancecode.org/> [Accessed 10 December 2013]. ²⁴. ACEVO, *Realising the Potential of Governance: the report of the ACEVO Governance Commission* (September 2013), p4. ²⁵. ACEVO, *ACEVO Pay Survey 2013/14* (November 2013), p26. In answer to the question 'Do you receive a regular appraisal of your performance objectives?'. ²⁶. ACEVO, *Realising the Potential of Governance* (October 2013).

- NHS Foundation Trust CEO – mean £164,000 ²⁰
- Local Government CEO – basic salary between £114,000 and £194,798 ²¹

The idea behind listing these comparators is not to make specific comparisons across professions, but to give a sense of the breadth of understanding that any trustee requires if they are to embed the principle of proportionality within their organisation.

While trustees may benefit from external advice – for example from recruitment consultants- it is up to each group of trustees to develop their own sense of the proportionality principle, relative to their organisation’s values and ethos.

CASE STUDY 2:


CAFOD – keeping organisation pay ratios in the open

CAFOD, an international development agency and member of the Disasters Emergency Committee (DEC), has a well-publicised policy that its organisational pay ratio should not exceed 4:1. This imposes limits at the top and bottom end of their pay scale, that are regularly examined by an independent committee.

In fact, their highest-paid employee – the Chief Executive – receives £90,464. So their actual ratio of highest- to lowest-paid employee is slightly below the self-imposed limit.

This exact pay ratio will not be appropriate for every single charity, but the general principle of publishing an organisational pay ratio and being transparent about it is advisable. Provided that an organisation’s pay ratio is judged by all stakeholders to be appropriate, and to provide value for money, we would suggest it is working well ²².

20. Laura Donnelly and Steven Swinford, Pay rises for NHS chiefs ‘will risk care’ (4 November 2013). <http://www.telegraph.co.uk/health/nhs/10426422/Pay-rises-for-NHS-chiefs-will-risk-care.html> [Accessed 10 December 2013]. **21.** Taxpayers’ Alliance, ‘Town Hall Rich List 2013’ (10 May 2013). <http://www.taxpayersalliance.com/thrl2013.pdf> [Accessed 10 December 2013]. **22.** CAFOD, Written evidence to the Public Administration Select Committee (December 2013). <http://data.parliament.uk/writtenevidence/WrittenEvidence.svc/EvidencePdf/3993> [Accessed 12 December 2013].



By clearly linking remuneration to progress against agreed performance targets and objectives, as well as the organisation's business plan and interdepartmental objectives, boards can ensure that pay levels are proportionate to a staff member's value to the organisation. In the next section we also refer to the idea of linking appraisal to an organisation's values.

CASE STUDY 3: Victim Support CEO appraisal²⁷

Victim Support is a national charity supporting witnesses and victims of crime across the whole of England and Wales. It turns over £43 million and has around 1,500 staff. It has a board of 12 trustees.

The annual CEO appraisal process begins with a self-appraisal element: the CEO produces a report on the past year's operations and progress towards agreed targets. This report is then reviewed by the chair, the deputy chair and the Treasurer, before all trustees receive and discuss the report. Questions are put to the CEO in a dedicated session with the chair, deputy chair and treasurer. The chair, deputy chair and treasurer then produce a second report which is presented to the board, who then set objectives and performance targets for the following year.

In addition, the board meets five or six times a year and gets an update from the CEO, discussing milestones, targets and the strategic plan. The chair of the board has an annual review conducted by their deputy, supported by the rest of the board. Victim Support has also implemented a new system of accountability. Local and divisional advocates are elected to represent the views of the organisation's 6,000 volunteers, with national advocates meeting with the CEO and the chair at least twice a year. Volunteers are not formally part of the governing structure, but they have the chance to feed into it.

This process helps keep the CEO to account, allows the charity to keep track of progress, and helps keep the organisation close to its beneficiaries.

27. This case study first appeared in ACEVO, *Realising the Potential of Governance*, October 2013.

Principle 4: Recruitment & Retention



The most authoritative set of statistics on recruiting and retaining top executives in the charity sector comes from the ACEVO Pay Survey. The 2013/14 edition reports that:

- 10.1% of charity Chief Executives are new in post this year. (This compared to 9.9% in 2012 and 13.7% in 2011)
- 52.9% have been in post for more than five years.²⁸

The Booz & Co. 2012 Chief Executive Study – the industry-standard study of the world's 2,500 largest companies – suggests that this level of turnover is comparable to the private sector with 14.7% of Chief Executives (in Western Europe's largest private companies) leaving office in 2012.²⁹

Nevertheless, it is important to consider the imperative to retain valued staff within a mission-driven organisation. The process of recruiting new executives costs considerable time and money, and worse, it can divert focus from the organisation's core aims. Executive staff turnover can affect the front line due to a loss of institutional memory and disruption of working arrangements.


The Mechanics of Recruitment & Retention

The voluntary sector offers a unique proposition for senior staff based on its values. The ability to recruit and retain staff will not be based purely upon pay rewards but upon the values of the individual and how closely they correlate with the organisation's values. In a sector where comparable salaries are often lower than in other sectors, values are a trump card. They should be part of the pitch to recruit and retain at every stage.

This makes it advisable to:

- Explore a person's values at the interview stage,
- Communicate the organisation's shared values day-to-day,
- Use values as well as targets to manage performance, and,
- Train people to develop those values in others as well as keep them on task.

14 ■ 28. ACEVO, *ACEVO Pay Survey 2013/14* (November 2013), p. 22. 29. Booz & Co., *The 2012 Chief Executive Study* (March 2013), <http://www.booz.com/global/home/what-we-think/chief-executive-study> [Accessed 10 December 2013].



In addition, the availability of opportunities for training, professional development and career progression can have a sizeable influence on staff retention rates. A global survey of over 100,000 employees, undertaken in 2013, found that 60% of workers are either considering or actively seeking further training and development.³⁰ The prospect of acquiring new skills and relevant qualifications is attractive to employees.

Employers should consider this part of their 'offer' to staff, as much as salary or other benefits. Good training and development should:

- Be tailored to the needs of the organisation as well as the clearly defined development goals of the individual employee,
- Be aligned with the organisation's charitable purposes,
- Be evaluated regularly to ensure ongoing relevance and value money,
- Be presented as a positive developmental opportunity rather than a remedial measure, and,
- Provide opportunities for employees to have input into their own training and development pathway.

CASE STUDY 4a: NSPCC – Pay and Benefits³¹

The NSPCC's pay system is designed to attract and retain talented and committed employees who can help realise its objective of ending cruelty to children in the UK. To achieve this, salaries in the new pay system reflect market rates of pay for comparable jobs in relevant job markets and are reviewed annually to ensure staff rewards remain appropriate. An employee who demonstrates all the required skills, knowledge and competencies to perform their role in full, will be rewarded in line with their performance.

A money purchase pension scheme is available to all NSPCC employees engaged on contracts of 13 weeks or more. If an employee contributes 3 per cent, or more, of their basic salary the NSPCC will contribute 6.7 per cent – more than double the employee contribution. The employer contributions will rise further in relation to length of service and percentage contributed by the employee.

CONT. ►

³⁰. http://www.kellyocg.com/Knowledge/Kelly_Global_Workforce_Index/Career_Development_and_Upskilling/ [Accessed 10 December 2013]. ³¹. http://www.nspcc.org.uk/what-we-do/working-with-us/what-you-can-expect-from-us/recognising-your-contribution/recognising-your-contribution_wda72709.html [Accessed 10 December 2013].



A series of allowances are available depending on the location and conditions of the position, including:

- A relocation allowance may be paid for some jobs if employees have to move home for them.
- Essential car user allowance of £1,200 per annum, plus 40p per mile if employees have to use a car extensively for work purposes.
- A home-based working allowance is paid where there is a requirement to work from home.

The primary attraction of working at the NSPCG for many will be its mission. But this comprehensive package of employee benefits, some of which improve with time served, undoubtedly strengthens their recruitment and retention processes.

CASE STUDY 4b: British Society for Rheumatology – addressing high staff turnover³²

Over a ten year period, the British Society for Rheumatology (BSR) more than doubled its staff. It had previously experienced very high turnover rates: as high as 27% in 2005. This proved highly disruptive to the organisation's work as institutional knowledge was often lost. In order to address this, BSR drew up a recruitment, retention and remuneration strategy to highlight the above issues and gave potential solutions to take forward. These included:

- A review of staff benefits
- A review of current salary bandings & job evaluation of all posts
- A review of training

A new recruitment model was proposed whereby people were to be recruited for their attitude as well as their skills, with the potential for training afterwards to close any gaps in skill. BSR still uses job descriptions and person specifications but now attitude is used to differentiate between candidates. BSR also decided to invest more in training for staff and to continue to use a nationalised pay scale for staff to help keep salaries in line with national averages, as well as reviewing benefits. BSR also focused on training and investing in staff, from individual to whole team. The pay reviews and benefits together have been seen very positively by staff and have helped reduce staff turnover.

32. KnowHow Nonprofit, 'Case study from the British Society for Rheumatology', http://knowhownonprofit.org/people/staff/copy_of_a-case-study-from-the-british-society-for-rheumatology [Accessed 10 December 2013].

Principle 5: Process



Process undergirds all effective decisions on the setting of pay.

Many processes are already well established. Charity pay at director level and above is the responsibility of the Board of Trustees, overseen by a Chair. In many charities, trustees choose to delegate control over pay to a formal Remuneration Committee, with delegated responsibility for deciding executive salaries and pension schemes. Often, the Remuneration Committee will also review the terms for setting other staff pay, responsibility for which is usually delegated to the appropriate Finance or Human Resources director.

We strongly recommend that charities use Remuneration Committees. As a rule, Remuneration Committees should have terms of reference formally approved by a vote of the trustees. Charity Commission Document CC8, section D7 briefly outlines the Commission's good practice guidance for control - by trustees - over wages and salaries.³³ We recommend that all trustees familiarise themselves with the best practice advice set out in the Commission's guidance.

Remuneration Committees should:

- Create written protocols for setting the pay of Chief Executives and other senior executives, taking into account the principles described above.
- Specify and review conditions under which the Chief Executive and Human Resources manager have delegated control of the pay of other staff, including pensions, and how they will report to the Board.
- Ensure that pay levels correspond with any other policies the charity may have, such as a risk policy.
- Consider using pay benchmarking studies such as the annual ACEVO Pay Survey, and have an independent evaluation of pay levels at least every five years so that trustees are clear what is happening to salaries in this and other sectors.
- Determine appropriate targets if the charity uses performance-related pay.
- Be aware of major changes in employee benefits, including pay, pensions and other rewards.
- Ensure by any other means necessary that the remuneration policy is appropriate.

33. Charity Commission, *Internal financial controls for charities (CC8)* (July 2012). <https://www.charitycommission.gov.uk/detailed-guidance/money-and-accounts/internal-financial-controls-for-charities-cc8/>. [Accessed 10 December 2013].

CASE STUDY 5: Inland Waterways Association – terms for the remuneration committee

The Inland Waterways Association makes use of a remuneration committee consisting of the Chair of the Finance Committee, the national Chair, and two other members appointed annually by the Board of Trustees. The chief executive may attend meetings as long as her own pay package is not being considered.

The committee meets at least annually and all meetings are properly structured, recorded and minuted. It reports to the full Board of Trustees. The committee's responsibilities are:

- To review the remuneration and benefits package (hereinafter "package" or "packages") of the chief executive in the light of her performance and the achievement of the objectives set for her and to agree her package for the next year.
- To review a paper from the chief executive reviewing the packages of her senior staff (currently just the finance manager) to consider her recommendations and to agree their packages for the next year.
- To ensure that each individual package reflects the staff member's individual performance, is in line with current market conditions for the function and motivates the member of staff for his/her future work for the Association.
- To ensure that a suitable appraisal process is in place.
- To consider the standard terms and conditions of employment for all staff and when appropriate make recommendations for changes to the Board of Trustees.

Once a Remuneration Committee is in place its work should be widely communicated. We recommend that boards produce a document (a 'scheme of delegation') with a summary of all committees of the trustees, including the:

- Name of the committee and its key responsibilities,
- The frequency with which it meets and its reporting requirements,
- The names of trustees on the board, and how often they attend, and
- Why committee members are appointed (their relevant experience).³⁴

This document should be made available to all and actively disseminated where appropriate.

Conclusion

Given the enormous breadth and diversity of the voluntary sector, there will always be wide variation in the salary levels of its staff. Consequently, this guide has focused on the core principles that trustees should consider when considering senior staff pay. The implementation of these principles will vary depending on the size and nature of the organisation.

For the past two decades, ACEVO has published The ACEVO Pay Survey, collecting comprehensive statistics on charity remuneration in order to shine a light on the sector's pay practices. It is now the market-leading benchmark of pay for chief executives in the sector. The ACEVO Good Pay Guide for Charities aims to do something different: to give practical, easy to follow guidance on the decisions that charity trustees take when setting pay levels.

Being at the forefront of this issue matters for charities and social enterprises everywhere. The sector's most valuable asset is its combination of mission-driven staff and highly professional leadership. Deciding how to reward the value they bring can be a complex decision and a challenging responsibility. We believe that reflecting upon and implementing the five principles outlined here will put any chair or trustee on the right track.



Answer 3

From: ADONIS, Lord [<mailto:adonisa@parliament.uk>]

Sent: 19 August 2017 08:28

To: ADONIS, Lord

Subject: Letter to Chair of Council/Governors from The Right Hon Lord Adonis

LETTER TO THE CHAIRS OF GOVERNORS OF UNIVERSITIES IN ENGLAND

Dear Chair

I would be grateful if you could meet a request for information.

The Higher Education for England's 'Memorandum of Assurance and Accountability between HEFCE and Institutions,' which sets out the conditions for the public funding of universities, states that university governing bodies must ensure that their expenditure 'delivers its charitable purpose for public benefit' (p8).

The further guidance from HEFCE on the remuneration of senior staff (HEFCE Circular 17/2017) notes 'the significant student and public interest' in the remuneration of vice-chancellors and senior staff and advises you and fellow trustees to 'consider remuneration in the context of charity law – namely the obligation for trustees to use charity funds and assets only to further their charitable purposes.' It advises you, specifically, to 'have regard to the Good Pay Guide for Charities and Social Enterprises' issued by the Association of Chief Executives of Voluntary Organisations.

The 'Good Pay Guide' notes that 'the charity sector is notable for relative equality between its highest and lowest paid employees,' and advises that 'a clear policy on proportionate pay will be useful to trustees.'

I would be grateful if you could supply me with a copy of your policy on proportionate pay, and explain to me how you have implemented this policy to meet the advice and requirements of the Charity Commission?

If you do not have a formal policy on proportionate pay, I would be grateful for a statement of how you have in any event met the guidance and requirements of the Charity Commission.

I should be grateful for your response by September 10th as I intend to submit all responses to the Charity Commission on that date pursuant to their consideration of the charitable status of universities in respect of the remuneration of senior staff.

Yours sincerely,

(signed) Andrew Adonis

The Right Hon Lord Adonis PC DPhil
House of Lords, London, SW1A 0PW
Office: 0207 219 5904

Adonis 4



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From the Chair of the Board of Governors

The Right Hon Lord Adonis PC DPhil,
House of Lords,
London, SW1A 0PW.

8th September 2017

Dear Lord Adonis,

Thank you for your recent request for information about remuneration of senior staff.

As you will be aware, as an exempt charity, the lead regulator of the University for charitable purposes is HEFCE and not the Charity Commission, and Charity Commission requirements in this area do not therefore apply directly to the University.

This University has adopted HEFCE's accounts disclosure requirements on senior pay for many years. As you know, HEFCE has only recently issued guidance on senior staff remuneration arrangements (HEFCE Circular 17/2017). This guidance includes a reference for HE institutions to "have regard to" the ACEVO good pay guide, which is addressed to charities in general.

The LSBU remuneration committee is appropriately considering HEFCE's new guidance and is working towards meeting the requirements when it next considers this matter in November 2017.

An extract of the current terms of reference of the LSBU remuneration committee is attached below. You will see that in setting remuneration of the Vice Chancellor, the committee is required to act in a "fair and responsible manner".

Also of relevance is that the LSBU remuneration committee is made up of, and chaired by, independent governors. As you would expect, the Vice Chancellor is not a member of that committee.

In terms of proportionate pay, the University follows the London Living Wage and is very conscious of the need to attract and retain motivated staff at all levels of its pay structure.

In conclusion, I am confident that LSBU both operates good practice and fairly remunerates its Vice Chancellor and senior team.

Yours Sincerely
Jerry Cope

**Chair of the Board of Governors
London South Bank University**

Annex 5

Staff Earning £100, 000 pa + at 31 October 2017 (2)

Job Title	Salary at 31 October 2017 (1)	Bonus Paid December 2016	Pension Cash Supplement	Other supplement	Total £
Vice Chancellor	223,930	17,914	32,469	-	274,313
Chief People Officer	150,000	9,000	19,500	-	178,500
Deputy Vice Chancellor	153,167	12,253	-	-	165,420
PVC – Research and External Engagement	137,850	5,514	17,920	-	161,284
Chief Finance Officer	142,955	11,436	-	-	154,391
PVC Enhancement/Dean	91,237**	-	17,069	40,063	148,369
Chief Operating Officer	122,533	9,803	-	-	132,336
PVC – Education and Student Experience	122,533	7,352	-	-	129,885
Chief Marketing Officer	122,533	-	-	6,000 (3)	128,533
MAT CEO	120,001*	-	-	-	120,001
PVC/Dean of Health and Social Care	98,356*	2,691	-	-	101,047

Notes:

- (1) *Pay award wef 1 August 2017 already agreed and applied
** Pay award not applicable
- (2) These figures show annual salary at a fixed point in time (31 October 2017). Figures published in the annual accounts will vary as they show total remuneration for a financial year (1 August – 31 July).
- (3) Temporary allowance ends June 2018

Extract of the terms of reference of the LSBU remuneration committee

1. Remit of the committee

“The responsibilities of the committee are to:

- 1.1 determine the broad policy for the remuneration of LSBU’s senior post-holders: the Vice Chancellor, Pro Vice Chancellors, the Executive Director of Finance and the University Secretary / Clerk to the Board of Governors and such other members of the Executive as it is designated to consider. No senior post-holder or manager shall be involved in any decisions as to their own remuneration;
- 1.2 in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that the senior post holders 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;...”

