

## University of Liverpool Remuneration Annual Statement

This statement applies to 2018/19 and provides further context to the information included within the University's Financial Statements.

### Background

This first University of Liverpool annual remuneration report (for the academic year 2017/18), based on guidance provided by the Committee of University Chairs, was presented to Remuneration Committee and Council at the commencement of the academic year 2018/19. This is the second annual report, for the academic year 2018/19, which aligns with the CUC guidance. It has been considered by Remuneration Committee.

### Introduction

#### 1. Terms of Reference

The terms of reference (ToR) for Remuneration Committee are reviewed annually. In the last 12 months the Committee operated on the basis of the attached ToR. The Committee has benefited from the additional challenge provided by the new independent member (Mr. C. Williams, HR Director of Unilever) and the long term counsel and support from a lay member (Mrs P. Young) and lay officer (Mr. C. Graham) of Council. The membership of the committee for 2019/20 academic year and beyond will see some major changes as existing members come to the end of their term of office.

#### 2. Meetings

The dates of the committee meetings and attendees in the previous year's cycle are set out below (appendix 2). Reports of meetings presented to Council in 2018/19 can be obtained through the Governance Team <https://www.liverpool.ac.uk/corporate-governance-and-support-office/>

### Approach to Remuneration

#### 3. Operating environment

Factors concerning the sustainability and the operations of the University during this period included the Office for Students (OfS), Brexit negotiations and demographic changes. Significant factors affecting the research environment included ongoing negotiations with the EU and European Commission regarding research funding and immigration. The European Commission released a detailed proposal for Horizon Europe, setting out the terms of participation and how countries can obtain associate membership: the rules governing membership by non-EU countries indicating that the UK will be offered the opportunity to negotiate a deal which strikes a fair balance between its contributions and benefits. Value for money and affordability remained high on the agenda. A recent report from the Institute of Fiscal Studies showed the different rates of financial return from different degrees, potentially influencing the Post 18 review and the potential for differential fees related to cost of delivery. OfS confirmed a role in senior staff pay as part of its remit to ensure value for money for the taxpayer. In February 2019 the OfS published its first annual report on senior staff remuneration from an analysis of the 2017-18 disclosures. The report showed that the majority of vice-chancellors received an increase in basic salary or total remuneration between 2016-17 and 2017-18.

#### **4. Guiding principles related to remuneration**

The review of the framework for the pay and conditions for senior staff, the Strategic Reward for Senior Staff Policy<sup>1</sup>, was delayed this year. The biennial review of the Policy was due to be brought to the Committee in November 2018. In view of the consultation on USS pension contribution levels and, the proposal for a new NHS Clinical Excellence Framework, it was considered inappropriate to make any changes until the position was settled.

The Committee requested that a discussion paper be produced setting out the current arrangements and options for the future of performance related pay (PRP)/bonus pay and this was considered in May 2019. It was noted that a small number (6) of Professional Services staff were in receipt of PRP (although there was inconsistency in how these had been set up) and that clinical staff had access to clinical excellence awards (CEAs) (paid by the NHS). It was noted that under the University's annual review process, it is possible for all staff groups to earn a one-off bonus for exceptional performance and, the Committee agreed that under-represented groups should be encouraged to make applications. Inequity in CEAs was acknowledged and the Director of Athena SWAN had been tasked with engaging with the NHS to improve the gender balance and payment levels in CEAs. The Committee recommended that the use of PRP payments in all future senior appointments should cease, unless a justification could be made to the VC of the incentive value of keeping or introducing such an arrangement. In the small number of existing cases, PRP would be maintained until such time as the post-holder leaves the organisation.

In November 2018, the Committee reviewed the Market Supplement Policy and acknowledged that the policy aims to ensure that the University is able to compete to recruit and retain staff in disciplines where there is a market premium on salaries; that the application of supplements will be done in an objective way to achieve legitimate business needs whilst ensuring that the University meets its obligations under equal pay legislation and that reporting mechanisms for supplements would be brought back to Remuneration Committee for consideration in 2019/20.

#### **5. The reward of senior staff**

Key considerations and outcomes on senior pay this year included:

- A review of the most recent Universities and Colleges Employers Associate (UCEA) Salary Survey, the Russell Group Survey and a comparator group from the Committee of University Chairs (CUC) survey of VC pay. The Committee considered a presentation by the President of Council on the VC's performance measured against the 2018-19 objectives. As a consequence of the positive feedback on the VC's 360 degree review and achievements such as TEF Silver, an increased global ranking, a lead position for graduate employment and widening participation, the VC was considered to have successfully achieved her objectives. An increase of 3% on the base salary to bring the salary more in line with the median of VC salaries and a 20% one off bonus were awarded.
- Agreement was also reached on the President of Council's proposal to extend the VC's contract to 31 July 2023 to align with the end of the academic year.

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<https://www.liverpool.ac.uk/intranet/media/intranet/humanresources/2014/myhr/policiesandprocedures/Strategic,Reward,for,Senior,Staff.pdf>

- The Committee received a summary of the recommendations for annual review awards for Professors and Professional Services senior staff made by the Vice-Chancellor and her team. Cases which demonstrated furtherance of the best interest of the University were supported. 19 Professors (12 males and 7 females) and 5 Professional Services cases (3 males 2 females) were recommended to receive a percentage salary increase of 1, 2 or 3%. 11 males and 11 females moved to a higher Professorial Level as having been deemed as meeting the criteria of the higher level. 4 cases (4 males 0 females) received a non-consolidated payment of £1,500 based on achievements related to one or more projects/activities of substantial importance to the University. The gross costs of implementing the above awards was £306,913.
- 3 recommendations were made by the VC for Senior Management annual review - 2 male (salary increases of 1% and 3%) and 1 female (2%).

## **6. Pay award and pension**

A 1.8% nationally agreed Pay Award was effective from 1 August 2019 and implemented across all staff groups.

A number of UUK consultations were responded to in connection with the 2018 valuation resulting in an increase in employer (21.1%) and employee (9.6%) contribution rates.

## **7. Performance related pay payments**

There were 6 payments made to senior staff (including the VC) who had PRP as an established part of their employment terms. Aside from the VC the other 5 employees are Directors of Professional Services departments or sections (Computing Services, Research, Partnerships and Innovation, Student Recruitment, Admissions & Widening Participation, Director of Development & Alumni Relations and Director of External Relations, Marketing & Communications). The payments made ranged from 5% through to 20% (VC terms): amounts of £5,898, £12,139, £4,409, £7,354, £5,355 and £57,311 (VC).

As mentioned above only 4 cases (4 males 0 females) put forward a case for a non-consolidated bonus payment of £1,500 under the provisions of the Annual Review process. Consideration is being given to how this may become a more widely used part of the remuneration package for senior staff. It is expected that some revision to criteria will be needed to make this more commonly used, rather than the consolidated increases of 1,2 or 3%.

## **8. Benchmarking**

Comparison of salary survey data from UCEA and the Russell Group was not reported this year, due to the prioritisation of other agenda items. A detailed analysis is due in May 2020.

## **9. The pay ratio – Head of Institution against median of all staff**

The Committee considered the Office for Students (OfS) Senior Staff Remuneration Analysis of 2017-18 disclosures. The pay ratio of Liverpool's VC compares reasonably well with the ratios of other institutions. OfS reported ratios ranging from 3.0 to 13.4 for basic salary and 2.9 to 12.8 for total remuneration. In UoL's financial statements, the ratios were reported as 8.3 for basic pay and 9.6 for total pay. This figure excludes the remuneration of contract and agency workers, permitted by the OfS. Lower ratios were identified as occurring in typically smaller, specialist institutions. OfS will be comparing ratios between years in the future.

## REMUNERATION COMMITTEE

*Minute Secretary:* Mrs Debbie Grainger, Extension 43635

### Terms of Reference

<https://www.liverpool.ac.uk/governance/university-committees/remuneration-committee/>

- a) To be responsible, on behalf of the Council, for setting the policy for and agreeing remuneration and reward for members of the senior management team.
- b) To consider and determine the emoluments of the Vice-Chancellor. The Vice-President of Council (or another lay member of the Committee) takes over the chair from the President when considerations are taking place regarding the Vice-Chancellor, who is not present for discussions of her salary.
- c) To receive reports concerning non-clinical professorial and equivalent professional services senior management staff (Grade 10) remuneration and reward.
- d) To approve proposals for voluntary severance or the early retirement of senior staff. (The determination of such matters with regard to the Vice-Chancellor shall be restricted to the lay members of the Committee.)
- e) To approve policy on the outside earnings of senior staff (professorial and Grade 10).
- f) To receive reports on actions taken by the Vice-Chancellor to approve retention awards for senior staff.
- g) To review and note remuneration trends across the University, including reports on the relationship between graded structure and senior staff, equality and risk assessment issues.
- h) To have oversight of the University's remuneration, reward and promotion (RRP) processes and, subject to any conditions set by Council, establish the conditions for the RRP Review in any one year and to receive a report on the outcome of the RRP Review, including appeals.
- i) To make recommendations to Planning and Resources Committee on the affordability and acceptability of national pay agreements.
- j) To report to the Senate on academic promotions and to the Council on all matters.
- k) To ensure compliance with the CUC Higher Education Senior Staff Remuneration Code.

### Constitution and Membership

(Where a title is given, this indicates that the appointment is ex officio.)

The President of the Council (Chair)  
The Vice-President of Council  
Two lay members of Council

Independent Member

The Earl of Derby DL  
Mr C Graham (2016-19)  
Dr P Johnson (2017-20)  
Mrs P Young (2016-19)  
Mr C Williams

*In Attendance*

The Vice-Chancellor  
The Chief Operating Officer  
The Director of Human Resources

Professor Dame Janet Beer  
Mrs J Tucker  
Mrs C Costello (Secretary)

**Frequency of Meetings**

The Remuneration Committee usually meets on two occasions during the academic year.

**Quorum**

The quorum for meetings of the Remuneration Committee shall be three of its members.

## Remuneration Committee Meetings 2017/18

## Dates of Meetings and Attendance Record

## Register of Attendance at Remuneration Committee Meetings 2018/2019

	12 November 2018	22 May 2019
<b>Full members:</b>		
President of Council (Chair) The Earl of Derby	✓	✓
Vice-President of Council Mr Christopher Graham	✓	✓
Lay Member of Council Dr Paul Johnson	<b>Apologies</b>	✓
Lay Member of Council Mrs Patricia Young	<b>Apologies</b> (comments sent by email)	<b>Apologies</b>
Independent Member Mr Chris Williams	✓	✓
<b>In attendance:</b>		
Vice-Chancellor Professor Dame Janet Beer	✓	✓
Interim Chief Operating Officer Mrs Jenny Tucker	<b>Apologies</b>	✓
Director of Human Resources (Secretary) Mrs Carol Costello	✓	✓
Committee Minute Secretary Mrs Debbie Grainger	✓	✓