

University of Liverpool Remuneration Annual Statement

This statement applies to 2017/18 and provides further context to the information included within the University's [Financial Statements](#).

Introduction

1. Terms of Reference

The terms of reference (ToR) (appendix 1) set out the main roles and responsibilities of the Remuneration Committee and will continue to be reviewed on an annual basis.

The University of Liverpool is fully committed to adhering to all of the principles within the CUC Higher Education Senior Staff Remuneration Code. During 2017/18 the Committee commenced work to achieve full compliance with the Code and will continue this work as necessary. Recent developments include changes to the membership to address guidance about attendance of the Vice-Chancellor, the involvement of an independent member, and the submission of an annual report to Council.

The emphasis for the Committee's work is to set the policy for senior reward such that it supports the objectives and long term success of the institution, facilitates recruitment and retention, ensures fairness, equity and transparency and to advise Council on senior pay matters.

2. Membership of the committee

Membership including tenures, is set out in the ToR. Lay Members are appointed by the Council on the recommendation of Nominations Committee. In line with the guidance from CUC, an independent member joined the Committee in March 2018 and the Vice-Chancellor ceased to be a member. She continued to be in attendance at meetings, with the exception of discussions relating to Vice-Chancellor remuneration.

3. Meetings

The dates of Committee meetings and attendees are set out below (appendix 2). Reports of meetings presented to Council in 2017/18 can be obtained through the [Governance Team](#).

Approach to Remuneration

4. Operating environment and markets

The University is a large and complex institution with 6,518 staff (June 2018) and more than 25,000 students in Liverpool and London, with a further 16,000 studying in China, Singapore and across the world online. Rated in the top 200 of all universities internationally according to the collators of at least two widely-recognised world rankings (Times Higher World Rankings, QS Rankings 2018 and 2019), and a member of the prestigious Russell Group, its research-intensive approach produces world-leading research across a range of expertise including infectious disease, personalised healthcare and advanced materials. As such, its activities in both teaching and research have a global impact that benefits millions of people in the United Kingdom and internationally.

5. Fundamental principles guiding decisions related to remuneration

The University of Liverpool's Remuneration Committee has agreed and reviews on a bi-annual basis a framework for the pay and conditions for senior staff, which includes non-pay benefits. The Committee does this to enable appropriate governance of the remuneration, promotion and reward for Professorial, Senior Management and Senior Executive Group posts. The [Strategic Reward for Senior Staff Policy](#) sets out the University's approach to setting remuneration for senior staff and the principles by which the Remuneration Committee governs remuneration decisions. These include

- The University's strategic vision to be among the top 100 universities in the world requires reward to be based on high performance and excellence in delivery and the opportunity to recognise exceptional performance. This is a standard feature of the annual pay review processes for all categories of staff.
- The framework for pay and reward recognises that higher education operates in a number of markets - local, UK wide, sector groupings (Russell Group, over £400m turn over) and a global market place and this affects the demand for and supply of talent. As global markets change, the remuneration framework should also offer flexibility in the recruitment and retention of staff
- Whilst pay and benefits are important, non-financial reward mechanisms are also just as important and should be on offer, as part of the package, subject to affordability.
- Openness to senior remuneration being transparent and subject to public scrutiny.
- Alongside the achievement of performance objectives, modelling the University's required values and behaviour is also an essential part of the University's decision making regarding the remuneration, reward and promotion of senior staff.
- Reward packages should be achieved within the framework of affordability and ensure equality including addressing the gender pay gap.

6. Approach

The above principles and the following associated policies guide the reward and remuneration of senior staff

- Market pay policy
- Professorial and Senior Manager Annual Review
- Professorial promotion
- Retention procedure

The policies on market pay, retention and annual review apply to all staff in the institution, but generally affect the recruitment and retention of certain academic disciplines and some senior manager appointments. The University's promotion processes apply to academic staff only. For Professional Services staff, promotion occurs through the advertising of vacancies, application and interview.

The national HE incremental pay scale structure is applied to staff on grades 1-9 and there is a short incremental scale for entry into grade 10 (senior staff and level 1 Professor). Through the incremental pay scale the University aims to ensure consistency in pay for jobs evaluated as equal value. Senior staff above the incremental element of grade 10 are paid within a salary range. The range is dependent upon, for Professorial staff, the Professorial Level they have been assessed at and, for Academic senior roles (Executive Pro-Vice-Chancellor, Pro-Vice-Chancellor, Associate Pro-Vice-Chancellor) and Professional Services senior staff, payment is based on the Korn Ferry/Hay evaluated level of their job compared with the market. There are no automatic uplifts, other than the nationally negotiated cost of living rise. The pay range for Academic and Professional Services senior staff has been established using the range of Korn Ferry/Hay job evaluation points. The pay ranges are based

on the National Industry and Service (I&S) benchmark salaries although, the pay structure also takes into account the results from the annual UCEA salary survey ensuring that salaries paid to senior staff remain competitive in the HE market. The pay ranges for the four Professorial Levels takes into account the ranges which other Russell Group Universities apply, as identified in the Korn Ferry Russell Group annual pay survey.

The remuneration package for the Vice-Chancellor role is based on ensuring competitiveness in the market using data from the annual CUC survey (Russell Group/over £400m group) and includes an element of reward (20%) linked to performance against objectives with a focus on the performance of the institution.

7. Factors used in considering reward proposals for senior staff

The Strategic Reward for Senior Staff policy applies to Grade 10 Professorial, Senior Management, Professional Services Leaders and the Senior Management Team¹ and sets out considerations for reward in relation to recruitment, retention and annual pay review.

For **recruitment** the factors taken into account include:

- Appropriate remuneration to enable the attraction and appointment of senior staff
- The demonstration of a successful past and current record of achievement (and how this could transfer) in the areas which have been identified as being of key strategic relevance to the success of the institution
- Demonstration of staff leadership and strategic leadership of their area(s)
- Current earnings
- Benchmarked salary data for similar roles, from UCEA, Korn Ferry Hay, Russell Group Survey and where required, international salary surveys such as The Association to Advance Collegiate Schools of Business International Salary survey
- For senior clinical academic roles, the appointment package will be in line with their existing NHS national pay and conditions including any Clinical Excellence Awards in payment, plus payment for additional programmed activities (APAs)

For **retention**, the factors set out in the University's procedure include:

- A managerial business case and evidence including the impact that would occur if the individual was not retained and why they would be difficult to replace with someone of similar standing and expertise
- Exceptional contributions and achievements for which the individual is responsible and which demonstrate the furtherance of the best interests of the University.
- Delivery of agreed individual performance targets
- Impact on organisational performance
- Managerial impact
- Leadership impact
- External impact
- Evidence of any offer of alternative employment or approach from another University/Organisation
- Salary survey data to obtain a benchmark for salary

¹ Senior Management Team may be referred to as the Senior Post Holders

For **annual pay review**, the Vice-Chancellor writes out to Professorial and Senior Management staff and invites personal submissions for a pay award². In the submissions, staff are expected to provide evidence of:

- Delivery of agreed individual performance targets
- Impact on organisational performance
- Managerial impact
- Leadership impact
- External impact
- How their performance furthers the best interests of the University

A panel made up of the Vice Chancellor and Executive Pro-Vice-Chancellors or Vice Chancellor and Chief Operating Officer look for evidence

- a) for a permanent uplift of between 1% and 3% - of significant and sustained contribution across the board, above the satisfactory application of the responsibilities of the role
- b) for a non-consolidated payment of £1500 – of achievements related to one or more projects or activities of substantial value to the University
- c) for a move to the next Professorial Level - evidence relating to the criteria of the Level requested.

A similar annual review process is open to application from all staff. Academic staff can apply for promotion to the next level, an accelerated increment or for a one-off payment; professional services staff can apply for an accelerated increment, an increment in the contribution range of the pay scale or a one-off payment. Academic staff applications are assessed by a Faculty panel. Professional Services staff are assessed by the Chief Operating Officer and HR Director.

8. Data used in considering the reward of senior staff

The University draws data from many sources to support senior staff remuneration decisions. These include

- Each year, we participate in the UCEA, Russell Group and CUC salary surveys and provide an analysis of this data for Remuneration Committee to show the University's position in the market and to aid consideration of the Vice-Chancellor's remuneration package. This data is also used when discussions are needed about the recruitment or retention of Professorial and senior staff to demonstrate sector comparators.
- Annually, we purchase the output from the Korn Ferry Hay I&S salary survey. This is a salary survey that is undertaken each year, which captures the pay of Hay evaluated roles in around 700 organisations in the UK. The organisations involved are Korn Ferry Hay Group public and private sector clients, including UK University clients. We use this to keep our senior academic and professional services manager points to pay range structure up to date. The points to pay structure contains minimum, mid-point and maximum salary data. Upper decile salary ranges are included for information, although these are not normally used other than in recruitment or retention cases.
- On an ad hoc basis, we commission external experts to support our reward policies. Korn Ferry Hay Group helped the University devise the expectations for each level of the Professorial Pay Structure and to compare salary ranges for the levels against the Russell Group, where Professorial bands exist.

²A permanent uplift in salary of between 1 and 3%; a one off non-consolidated payment of £1500 or a move to the next Professorial Banding Level for Professors.

- We provide information to the Committee on internal comparisons of pay for similar sized and evaluated senior manager (academic and professional services) jobs and gender pay analysis of our annual review outcomes.

9. Job Evaluation, Pay Awards and Pension Schemes

For senior academic and professional services roles, the University uses the Hay job evaluation method. There is not a JE system for Professorial roles, but the assessment is based on the broad fit to a statement of expectations for each of the four Professorial levels and informed by descriptors under the headings of research, teaching, practice and leadership.

The University is a member of UCEA and is a participating organisation in the national pay negotiations. Our policy is to implement the outcomes of the pay negotiations across the full staffing complement of the University.

The HR department administers three pensions schemes; USS for professional services and academic staff (grade 6 and above); ULPF for administrative and support staff and NHS for clinical staff holding honorary contracts.

10. Performance related pay

One off performance related bonuses are available to all staff through the annual review system of the University, as set out in paragraph 7 above.

In negotiating a remuneration package for the Vice-Chancellor, members of Council agreed an element of performance bonus as part of her terms of engagement. Historically, some appointments were made which allowed award of performance related bonuses. This arrangement is being reviewed to improve consistency across the institution.

Staff receiving a performance bonus are also in receipt of the national cost of living award.

11. Benchmarking

The normal approach for the University in benchmarking jobs is to use the salary survey data available from UCEA (for similar sized/type) and the Russell Group. On occasions, we have purchased specific survey data (for example, international salaries for business school roles) and have commissioned experts to provide a search and report.

External appointments and expenses

12. Retention of income

Income generated from external bodies is set out in the institution's [Consultancy Policy](#). This can be viewed through the following link.

13. Payments from external bodies to the VC

The external appointments held by the Vice-Chancellor are detailed in the financial statements.

14. Expenses policy

The University's [expenses policy](#) has recently been revised and was approved by Council on 4 July 2018.

Appendix 1

REMUNERATION COMMITTEE

Minute Secretary: Mrs Debbie Grainger, Extension 43635

Terms of Reference

<https://www.liverpool.ac.uk/corporate-governance-and-support-office/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 and to consider and determine the emoluments of the Vice-Chancellor.
- b) To receive reports concerning non-clinical professorial and equivalent professional services senior management staff (Grade 10) remuneration and reward.
- c) 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.)
- d) To approve policy on the outside earnings of senior staff (professorial and Grade 10).
- e) To receive reports on actions taken by the Vice-Chancellor to approve retention awards for senior staff.
- f) 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.
- g) 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.
- h) To make recommendations to Planning and Resources Committee on the affordability and acceptability of national pay agreements.
- i) To receive a report on the outcome of the RRP Review, including appeals.
- j) To report to the Senate on academic promotions and to the Council on all matters.

Constitution and Membership for Session 2017/18

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

The President of the Council (Chair)
Two of the other lay officers

A lay member 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 Interim Chief Operating Officer
The Director of Human Resources

Professor Dame J 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.

Appendix 2

Remuneration Committee Meetings 2017/18 Dates of Meetings and Attendance Record

9 November 2017 Meeting

<u>Present</u>	President of Council (Chair) Vice-Chancellor Vice-President of Council	The Earl of Derby Professor Janet Beer Mr Christopher Graham
<u>In Attendance</u>	Deputy Vice-Chancellor Director of HR (Secretary) HR SMT Co-ordinator (Minute Secretary)	Mr Patrick Hackett Mrs Carol Costello Mrs Debbie Grainger
<u>Apologies</u>	Lay Officer of Council Lay Member of Council	Dr Paul Johnson Mrs Patricia Young

20 March 2018 Meeting

<u>Present</u>	President of Council (Chair) Vice-President of Council Lay Officer of Council Lay Member of Council Independent Member	The Earl of Derby Mr Christopher Graham Dr Paul Johnson Mrs Patricia Young Mr Chris Williams
<u>In Attendance</u>	Vice-Chancellor Deputy Vice-Chancellor Director of HR (Secretary) HR Management Services (Minute Secretary)	Professor Janet Beer Mr Patrick Hackett Mrs Carol Costello Mrs Debbie Grainger