

Draft Remuneration Guidance

December 2017

Introduction

1. Fair and appropriate remuneration is key to the success and development of the UK's HE sector, as well as to its continued public support. To support members of governing bodies, this HE Remuneration Code has been developed after wide consultation with CUC members and HE stakeholders. There is also an Annex which includes an update to relevant parts of the HE Code of Governance.
2. The diversity of the HE sector within the UK means that governing bodies will need to decide how best to implement each element for it to be proportionate and effective; Scottish institutions are bound by the Scottish Funding Council's accounts direction and will need to look first to the Scottish Code of Good Higher Education Governance¹, which indicates how institutions should meet the key principles of good practice in remuneration.
3. In addition, the CUC website holds the illustrative practice note on Remuneration Committees drawn from across the sector on how institutions are meeting this governance challenge.²
4. The code's primary audience is members of HEI governing bodies, and its purpose is to identify the key values and practices on which fair remuneration in UK HEIs is based.
5. By visibly adopting the code, governing bodies demonstrate leadership and stewardship in relation to remuneration within their institutions, and in doing so help to protect institutional reputation and provide greater assurances to key stakeholders and partners, including the student community and wider society.
6. This code will be reviewed regularly to ensure that it remains fit for purpose; normally this will take place every four years, in consultation with the sector.

Preamble

7. HEIs are significant in the UK. They have a major impact on the economy of the UK:
 - In 2014–15, they directly employed more than 400,000 people. Through the goods and they buy, an additional 430,000 jobs were sustained and spending by the 437,000 international students who studied in the UK in 2014–15 and the friends and family who visited them stimulated another 110,000 jobs. In total, they support 3% of all employment within the UK.
 - They generated more than £95 billion of gross output in the UK economy in 2014–15.
8. They make a valuable contribution to the social and cultural life of their communities – for example, more than 100 university museums are open to the public, attracting nearly 4

¹ <http://www.scottishuniversitygovernance.ac.uk>

² <http://www.universitychairs.ac.uk/wp-content/uploads/2014/12/IPN1-Remuneration-Committees.pdf>

million public visitors every year. They hold free public lectures attended by more than 2 million people every year.

9. HEIs inspire more than 2.2 million students every year. Student satisfaction is high by international standards. UK HEIs provide cost-effective, world-renowned research and have many global institutions and companies as partners. They act as vital anchor institutions in their region, working alongside public sector and commercial organisations in driving productivity improvement and creating a sense of place.
10. Many HEIs are also global businesses. Not only do they recruit international students studying in the UK, some institutions now have group structures with significant parts of their business operated outside of the UK. Others maintain strategic partnerships with global companies, benefitting the UK and the region within which the institution operates.
11. The QS World University Rankings show that the UK has some of the best universities in the world, with four in the top 10. All HEIs are affected by the global market for talent, particularly since significantly higher levels of remuneration available in the US and Australia make it harder to recruit and retain key staff.
12. UK HEIs are large and complex organisations – the sector is diverse, and there is no such thing as a ‘typical’ HEI. A large university can easily have an annual turnover of more than £600 million, a workforce of more than 7,000 people and a broad community of students numbering some 30,000. A smaller institution is still a sizeable undertaking, with perhaps 6,000 students, 700 staff and a turnover of nearly £60 million.
13. HEIs face constant challenges and increasing competition, to which they continue to respond by enhancing their presence and reputation, internationally, nationally and locally, while at the same time maintaining and improving the learning and teaching they offer and the research they undertake. With this agenda, it is vital that they should attract, recruit and retain the best possible staff. The risk of not securing the very best academic and professional leadership for institutions is an important consideration for governing bodies.
14. Although not in the public sector, HEIs receive a significant degree of investment from taxpayers, students and other stakeholders and accordingly need to demonstrate to those that provide financial support that decisions made in respect of remuneration are evidence-based, proportionate and necessary to enable the HEI to continue to deliver effective outcomes and compete in a competitive environment.

Application of the code: ‘apply or explain’ and coverage

15. Adherence to the code is voluntary, and is to be applied by governing bodies on an ‘apply or explain’ basis. This means that institutions should either publicly state that they have abided by the minimum requirements of the code, or should provide meaningful explanations for non-compliance, and in such cases, publicly explain how their alternative arrangements meet the principles of this code.
16. Explanations will refer to specific circumstances or conditions that make compliance impossible or inappropriate, and refer to supporting evidence. These statements should be included in institutions’ annual accounts, remuneration reports and/or similar public reports, available on their websites and to the public on demand.

17. Throughout this code the word 'must' identifies the CUC's view of the minimum requirements for an institution wishing to comply with the code. Recognising the strength derived from the diversity and autonomy of the sector, governing bodies are free to achieve the expectations of the 'must' statements by the means and mechanisms appropriate to their own context. The code is supported by a set of explanatory notes which explore aspects of the code and are designed to assist governing bodies in developing their own responses. The use of the word 'should' identifies good practice which institutions are encouraged to adopt.

Coverage

18. This code is intended to be applied by all providers of HE. Some elements may not be appropriate for all providers, for example, those providers that have an owner-manager who may take a dividend from the business. The 'apply or explain' regime allows the code to be applied flexibly in different institutions according to their legal status, structure and areas of activity.
19. The principles of fair remuneration outlined in this code apply to all remuneration decisions affecting the group of staff that the institution defines as senior post holders - always the Head of Institution (HoI), usually all or some of the members of the senior executive team and possibly other senior staff who report directly to the HoI. It is up to the institution whether to include highly paid academic staff within this senior post holder category.

The HE Remuneration Code

Elements of fair and appropriate remuneration

20. Fair and appropriate remuneration requires three key elements – namely that there is:

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

Each of these elements must be underpinned by a number of supporting principles.

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

21. A central objective of all HEIs is to deliver the best outcomes for their students, society and the economy. Given the public interest in HEIs, they also want to demonstrate good value for money in the use of all resources, including their levels of remuneration. The key element is therefore:

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

Principles

- a) Remuneration must take account of the context in which the institution operates.
- b) Remuneration must be linked to the value delivered by an individual acting within a role.
- c) The range of the values of a role is based on a number of components.
- d) Institutions should be clear about what they expect from staff i.e. what is normal and what is exceptional. There should be a robust and consistent process for setting objectives and assessing an individual's contribution.
- e) Remuneration can vary according to individual performance.³
- f) Awards made in respect of annual bonus arrangements linked to the achievement of specific annual objectives should not be consolidated.
- g) From time to time the value of a role may need to be changed in light of changing conditions, sustained performance, experience etc.
- h) Non-achievement of an individual's expected contribution should have consequences.
- i) Any severance payments must be reasonable and justifiable.
- j) There should be a clear and argued rationale for the retention of any income by an individual generated from external bodies in a personal capacity.

³ The decision whether to apply performance-related pay is for individual HEIs to make. Nothing in this code should be taken to imply that performance-related pay is a requirement for fair and appropriate remuneration.

Element II – Procedural fairness

22. Procedural fairness is concerned with the procedures used, rather than the actual outcome reached. It requires a fair and proper procedure be used when making a decision. An institution that follows a fair procedure is more likely to reach a fair and reasonable decision. The key element is therefore:

Procedural fairness requires remuneration to be set through a process that is based on competent people applying a consistent framework with independent decision making using appropriate evidence and assessing the value of roles, the context and individuals' performance in them. No individual can be involved in deciding his or her own remuneration.

Principles

- a) Senior post holder remuneration should be determined in the context of each institution's approach to rewarding all its staff.
- b) No one can have any part in deciding their own remuneration.
- c) Remuneration Committees should be as independent and expert as possible.
- d) Decisions need to be based on robust evidence.
- e) Remuneration Committees must justify their decisions or recommendations to the governing body and other stakeholders.
- f) The HoI must not be a member of the Remuneration Committee.
- g) Remuneration Committees, when considering HoI remuneration, must be chaired by a senior independent governor who is not Chair of the board.

Element III - Transparency and accountability

23. Society has a right to know that taxpayers' funds are being properly used and that the institution is being managed in the interest of students, the economy and society. Senior post holders must be fairly – but not excessively – rewarded for their work.
24. Transparency will increase the confidence, support and participation of stakeholders and all parties concerned with an institution. Greater transparency, disclosure and explanation will allow a more rational and informed debate on remuneration, and enable stakeholders to hold institutions to account. Accountability also reassures, and challenges, thereby ensuring better decision making.
25. To reflect the collegial nature of institutions and the fact that institutions' success is the product of collective efforts by the staff, the process for determining senior post holders' remuneration needs to take account of the relationship between senior post holders' remuneration and that of all other employees. In that context, aggregate senior post holder remuneration would normally be expected to increase no faster than the average of all HEI staff. The key element is therefore:

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

Principles

- a) The approach to remuneration for senior post holders should be publicly explained, and remuneration decisions must be transparent.
- b) Institutions must publish a pay multiple, and illustrate how that multiple has changed over time.
- c) In the event of increases in that multiple, institutions should publish an explanation supporting that change.
- d) Evidence that affects senior post holder remuneration should be explained.

Explanatory notes

Institutions will be able to apply most of the above principles in ways that are appropriate to their circumstances. However, some will benefit from some discussion and clarification:

Remuneration must take account of the context in which the institution operates.

26. Different institutions will need to recruit staff from different types of markets – some will be global, some national and some local. Institutions will want to consider data and evidence regarding the state of recruitment markets they are operating in. In addition, consideration can be given to internal relativities and pay ‘gaps’ that might exist between different groups of staff.

Remuneration must be linked to the value delivered by an individual acting within a role.

27. The value delivered by an individual will depend on the role they are asked to play and their own attributes. Thus, it is reasonable to have higher expectations of someone with experience than someone new to the role and to therefore provide them with more remuneration.

The range of the values of a role is based on a number of components

28. Criteria for assessing the value of roles could include:
 - complexity (scale and range of decision making, collaboration and contact, time-critical activity);
 - impact (on students, research, finances and people, including employees, partners and citizens);
 - discretion (level of accountability, degree of autonomy and decision-making authority);
 - knowledge and skills required (including specialist skills);
 - reputation and academic/professional credibility needed for the role;
 - an ability to recruit and retain key staff; and
 - external comparisons.

29. When recruiting senior post holders, institutions usually reflect on their expectations of what a post will contribute, and then determine the appropriate range of the remuneration package before the post is advertised, offered or awarded.⁴
30. To retain staff, Remuneration Committees need to consider market position, typically by looking at a set of comparator institutions/organisations. The choice of these comparators will usually be linked to institutional strategy, and should be publicly disclosed. Comparator selection may depend on the type of post being filled – for example private and public sector comparisons are often used for professional services staff, whereas NHS and international HEI comparison may be more appropriate for certain academic staff. In choosing comparators, the key expectation is that they help in setting remuneration levels that reflect the value of the relevant post when assessed according to its level of accountability, market position and responsibilities as described above.
31. Institutions also need to reflect on what the consequences will be in instances where individuals do not deliver the expected contribution. Consequences for individuals will depend on the nature of the remuneration package offered, but might mean no uplift of basic pay, no participation in bonus payments⁵, or some form of performance management.

Remuneration can vary according to individual performance

32. Pay for performance schemes vary across the sector. Many institutions have decided that a bonus driven culture is not appropriate for their mission and values. Some accept that occasionally there are instances where exceptional circumstances arise that merit a one-off payment in recognition of outstanding efforts, while others have a structured scheme based on explicit, metric-based targets. Each of these positions can be accommodated within a set of arrangements for fair and appropriate remuneration. For institutions that do provide some element of performance pay, there is a benefit in having a clear policy agreed by the governing body that sets out the reasons, basis and operation of this element.
33. The HE Code of Governance requires institutions to assess all aspects of institutional sustainability using a range of mechanisms including relevant key performance indicators, and to have a sound system for risk management. In making decisions, the Remuneration Committee should be informed by the governing body's view of the performance of the institution against its strategic ambitions, the performance measures chosen by the governing body and by the risk environment.
34. For institutions that use metric-driven performance assessments, a balance should be achieved between the achievement of institutions' long and short term objectives. Variable pay systems have to be based on robust and evidence-based performance appraisals.
35. The HoI's objectives are normally agreed by the Chair of the governing body, usually in consultation with the Remuneration Committee and often reported to the governing body, before the start of each reporting year; these will reflect the strategic objectives of the institution.

⁴ This does not mean that the range must be advertised, or that it cannot be amended in light of applications received – rather that the process should be clear and consistent.

⁵ If available.

36. Where Hols are eligible for performance pay, responsibility for assessment of the Hol's performance against their personal objectives rests with the Chair of the governing body, usually after consultation with the Remuneration Committee. The Remuneration Committee will consider how the outcome impacts on the Hol's total remuneration and reach an appropriate decision/recommendation for the governing body.
37. If an institution provides it, responsibility for management of senior staff and/or senior post holders' performance pay rests with the Hol (or their nominee). The Hol should provide the Remuneration Committee with an assurance that the performance payment policy has been properly applied – for example by sharing aggregate outcomes together with details of achievement of institutional key performance metrics. Hols may provide greater assurance to the governing body if they obtain Remuneration Committee endorsement of their assessments.
38. In assessing senior staff performance, institutions can take account not only of factors that are directly under those senior staffs' control, but also of factors outside their control, when those senior staff can mitigate or influence the impact of those uncontrollable factors.

Any severance payments must be reasonable and justifiable

39. In making severance payments, institutions must meet their contractual obligations and be able to justify any payments made. HEIs will need to carefully consider any advice that is available from regulators, together with the detailed CUC advice at Appendix 3. Remuneration Committees have specific responsibilities in this area – in particular, ensuring that contracts agreed with senior post holders are fair, reasonable and justifiable and do not expose the institution to significant potential liabilities, for example by having excessive notice periods.

There should be a clear and argued rationale for the retention of any income by an individual generated from external bodies in a personal capacity

40. It is important for institutions that staff represent them on various bodies and boards and carry out academic and civic responsibilities at other organisations e.g. non-executive director roles. Remuneration Committees benefit from a clear and published policy where this activity generates additional income for the individual from the external body. The policy should set out the rationale for allowing retention of external income and any limits on the amount of time different types of staff can devote to external income-generating activity. Remuneration Committees should consider any external earnings of the Hol and determine what can be retained. Hols are generally unlikely to be able to retain significant sums, but any income they do retain needs to be disclosed and justified.

Senior post holder remuneration should be determined in the context of each institution's approach to rewarding all its staff

41. A statement of each institution's policy on higher remuneration can be included within any wider workforce and reward strategies, or it can be set out as a standalone document. Attention should be paid to the impact on wider employee engagement and morale of any

differential treatment for senior post holders and other staff, particularly in respect of pensions, non-cash benefits and expenses.

42. The approach to expenses can be a sensitive topic, and generally institutions should adopt a single published scheme that applies to all staff. Senior post holders could be encouraged not to claim for minor items and Remuneration Committees should keep an oversight of the aggregate amounts claimed.

Remuneration Committees should be as independent and expert as possible

43. A key to achieving procedural fairness is the operation of the Remuneration Committee. The core guidance on this is set out in the HE Code of Governance, with the relevant, updated elements set out in Appendix 2 of this code. What follows is additional guidance that supports the HE Code of Governance.
44. Remuneration Committees must have formal terms of reference set by each institution's governing body or defined in its governing instruments, and the institution should provide sufficient administrative support and resources to undertake independent research.
45. Remuneration Committees are responsible for ensuring they have sufficient information and expert advice and, if deemed necessary, be responsible for appointing any consultants needed to advise on senior post holder remuneration.
46. Remuneration Committees should be subject to external verification of their effectiveness, expertise and independence at least every four years. This can be part of an overall assessment of governing body effectiveness or a standalone review.
47. Remuneration Committees may contribute to the development of institutions' internal talent and succession strategies for senior post holders and the monitoring of equal pay and gender or other characteristic pay gaps.
48. Members of Remuneration Committees may be ex-officio, but otherwise will be appointed for a fixed term – usually of three or four years, and with a possible reappointment for one further three- or four-year term.
49. A Remuneration Committee needs to be sufficiently informed to assess the posts and labour markets within its remit in order to make informed decisions on senior post holder remuneration.
50. At least one member of each Remuneration Committee needs to have expertise in the field of remuneration. If that expertise is not available from lay members of the governing body, the Remuneration Committee should co-opt an independent specialist to be a member. This will supplement existing expertise provided by the institution's HR director (particularly where the HR director acts as committee secretary).
51. Remuneration Committees must be comprised people who are independent of the institution's management, primarily lay members of the governing body. Membership may include the institution's Chair, but not the HoI.⁶ Several institutions have sought to ensure the independence of decision making in respect of HoI remuneration by having the

⁶ The HoI may be invited to attend meetings, but must not be present for discussions affecting him or her. Where the Remuneration Committee is responsible for all senior staff pay, including professors, it is very important that the HoI is present at meetings to discuss these staff and ensure that the committee's decisions are well-informed.

Remuneration Committee chaired by the institution's Deputy Chair or another senior lay member. If the Remuneration Committee has a wide remit, that may not be the most appropriate approach, in which case the Chair of the governing body should hand over the chairing of any specific discussions of HoI remuneration, while retaining their position as Chair of the Remuneration Committee for all other discussions.

52. Some institutions have appointed staff and/or student governing body members to Remuneration Committees. This is not normally necessary, so long as the report of the Remuneration Committee to the governing body provides sufficient assurance that the Remuneration Committee has discharged its responsibilities appropriately.

The approach to remuneration for senior post holders should be publicly explained, and remuneration decisions must be transparent

53. Institutions must disclose the remuneration of higher paid staff annually as per the current accounts direction, and need to consider any guidance issued by the Information Commissioner.⁷
54. Institutions should publish their definition of the term 'senior post holder'.
55. There will need to be aggregate disclosure of allowances, variable/performance pay, and the cash value of benefits-in-kind, so that the public understands the full extent of the costs of these 'add-ons' and the numbers of staff in receipt of them.
56. Alongside these disclosures, institutions need to provide a clear, meaningful explanation of their approach to senior post holders' remuneration, including an explanation of the level of remuneration of the HoI. This should be provided in terms understandable by the public and be readily accessible, for example, by being clearly signposted on an institution's website.
57. Institutions should explain how senior post holders' remuneration as a group relates to market position, the value of these roles, including the institution's characteristics, complexity, achievements and the roles' levels of accountability. Institutions could also publish the total remuneration of the HoI as a percentage of the institution's turnover to reflect the size and complexity of leading the organisation.

Evidence that affects senior post holder remuneration should be published

58. Institutions should publish any key performance indicators that influence remuneration decisions.
59. Institutions that provide performance pay should:
 - outline their policy on performance pay; and
 - disclose those objectives and any metrics for the previous year that affected the remuneration of the HoI, along with an explanation of how their performance was judged against them.

In the institutional-level explanation of the approach to senior pay, they should state the metrics used.

⁷ https://ico.org.uk/media/for-organisations/documents/1245/definition_document_for_universities_and_higher_education_institutions.pdf

Institutions must publish a pay multiple and how that multiple has changed over time

60. Institutions must annually publish the multiple of the remuneration of the head of the institution and the median earnings of the institution's whole workforce. They may also wish to publish other multiples such as the ratio of HoI and the median academic salary, the median professorial salary, the median professional staff salary
61. For the purposes of this multiple, 'earnings' is defined as total taxable employment earnings, including base salary, allowances, variable/performance pay, and the cash value of benefits-in-kind.
62. The median earnings figure used for the multiple are the median full-time-equivalent annual earnings of all staff employed by the institution.
63. When disclosing their pay multiples each year, institutions can also disclose the previous year's pay multiple and the year-on-year change in the multiple; they may also choose to publish pay multiples of comparative institutions.
64. Institutions should set themselves a range of pay multiple that is acceptable. Over 80% of institutions currently sit within the range 4.5 to 8.5. Institutions that wish to position themselves outside of this range will need to be prepared to justify to stakeholders and their regulator why this is desirable.
65. Alongside these disclosures, institutions can provide a clear and meaningful explanation for any changes in their pay multiples, describing what factors have caused movements in both median and top earnings and thus changes in the pay multiple from the previous year.

Remuneration committees must justify their decisions or recommendations to the governing body and other stakeholders

66. Each year, Remuneration Committees must produce an annual remuneration report to the governing body. That report will need to provide sufficient assurance to the governing body that the Remuneration Committee has effectively discharged its responsibilities. An example of a possible framework for a remuneration annual report is set out in Appendix 3, but it will be for institutions to determine the format that best suits them.
67. The institution must also publish a remuneration annual statement. This may be within the annual report and accounts (as an Annex or separate section), or it may be published as a standalone document. Ideally, the published annual statement will be the same as the annual remuneration report to the governing body. However, modifications may be necessary to preserve commercial confidentiality. The key test is that this is the document by which stakeholders and regulators can be assured that value for money in senior post holder remuneration is being achieved. The statement is from the governing body and should therefore be signed by the Chair of the governing body. Institutions can provide hyperlinks to their annual statements to the CUC so that they can be made readily available to interested parties.

Appendix 1 – A Possible Outline Structure for a Remuneration Annual Report to the Governing Body

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

Approach to remuneration

4. A statement of any fundamental principle agreed by the governing body that will guide all decisions related to remuneration. This will probably reference the need to balance the need to recruit, retain and reward the best staff possible, in order to deliver the best outcomes for students, society and the economy with the need to demonstrate effective use of resources.
5. The approach to setting remuneration, e.g. the extent to which economic factors, competition, market rates, roles, skills, experience and individual performance influence decision making.
6. The type of indicators used in considering whether reward proposals for senior post holders are explained. These include, but are not limited to:
 - performance in support of the university's strategic objectives in areas such as:
 - teaching (e.g. TEF, NSS, student feedback, recruitment and admission, student outcomes and employability, teaching awards, programme leadership etc.);
 - research (e.g. publications, citations, grants, impact, research leadership, major initiatives including with industry and external partners etc.);
 - management and administration (e.g. professional, professorial and academic leadership, service enhancement and delivery, policy development and delivery, income generation, improving performance of school or service etc.);
 - leadership of staff (e.g. development and performance of staff, quality of hires etc.);
 - partnerships and external relations internationally, nationally and locally (e.g. leadership in external networks and communities, external policy work); and,

- major initiatives and projects (e.g. international campus, capital projects etc.)
 - the size and complexity of the university;
 - the nature of the HE markets and issues of recruitment and retention;
 - the university's objectives in relation to the diversity of the workforce; and
 - that some staff are on NHS salaries and reward structures not determined by the university. By longstanding agreement between employers and supported by the government, the pay of those medical academics who also do clinical work in the NHS (clinical academics) is based on that determined by the NHS.
7. Where the data that supports these indicators is drawn from, possibly including:
 - Higher Education Statistics Agency data;
 - University and Colleges Employer Associations Senior Staff Remuneration Survey;
 - Committee of University Chairs' Vice-Chancellor Salary Survey;
 - reports and reviews from external experts commissioned by the committee, as appropriate;
 - internal analysis of salary distributions, performance and contribution to the strategy of the university.
 8. A reference to the use of nationally determined job evaluation schemes, nationally negotiated pay awards and nationally recognised higher education pension schemes.
 9. A description of which (if any) staff are eligible for performance pay, in accordance with the university policy on performance pay – with a hyper link to that policy included. A statement as to whether these staff also receive annual inflation uplifts to their base pay, based on the outcome of national pay awards.
 10. A reference to any guidance and/or limits issued in respect of approach adopted in establishing starting salaries.
 11. A statement on the approach used by the committee in benchmarking positions offered within comparator institutions, together with a list of those institutions.
 12. The current value for the university of the pay multiple of HoI earnings against the median of all staff, plus details of how this indicator has changed over, say, the last five years.

Institutional performance

13. Set out a summary of how some of the key indicators listed in point 6 changed over the year.
14. For those that have explicit performance pay schemes, this might include:
 - performance pay is based on key indicators set out in the institutional strategy – with a link provided;
 - a list of key indicators used for remuneration purposes;
 - a statement as to whether performance pay is released if financial targets are not met;
 - a statement as to whether staff are put into different groups of performance (for example perhaps: satisfactory, good, exceptional);

- a statement of how the institution has performed in the previous year in respect of the indicators used for performance pay;
- total of funds distributed for performance pay;
- an aggregate disclosure of how the funds for performance pay were distributed. This could be either as a listing of the numbers of individuals who received performance pay in bands of £5,000, or the numbers of people in the performance groups identified above;
- using these metrics, an assessment of the Vice-Chancellor’s performance;
- a table outlining total remuneration for the Vice-Chancellor, with year-on-year comparator data, as follows:

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

Payments to members of the governing body

15. A statement to the effect that members of the governing body are unpaid or paid. If paid, the basis and extent of their remuneration and how this was decided.

External appointments and expenses

16. A statement and link to the policy on the retention of income generated from external bodies.
17. The amount retained from external bodies by the Hol.
18. A statement about the expenses policy, with a link, and a statement about the extent of expenses incurred.

Appendix 2 – Updated HE Code of Governance

Paragraph 3.14 has been changed to reflect further discussion on membership of Remuneration Committees. The rest of the HE Governance Code remains unchanged.

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 post holders 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 not be members of, but may attend by invitation, Remuneration Committee but must not be present for any discussions that directly affect them. Remuneration Committees, when considering HoI remuneration, must be chaired by a senior independent governor who is not Chair of the board.

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.

Appendix 3 – Guidance on Decisions Taken about Severance Payments in HEIs

1. 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.
2. 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.
3. Governing bodies must establish Remuneration Committees; 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 it has the appropriate experience available. The Remuneration Committee must propose any severance packages for senior post holders and seek legal advice before making its recommendation to the governing body.
4. In agreeing any severance package, the governing body must consider their responsibilities as charity trustees, particularly when regarding the use of charitable funds and assets only to further the charitable purposes of their HEI.
5. Governing bodies may also wish to consider the outcomes of the government’s consultation on reforms to public sector exit payments.⁸
6. 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.
7. An HEI considering severance payments needs to ensure that it is being fair and equitable in its decision making about different groups of staff.
8. 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.
9. Negotiations about severance packages and payments should be informed, on both sides, by appropriate legal advice.
10. When a severance arises following poor performance on the part of an individual, payment should be proportionate, and there should be no perception that poor performance is being rewarded.
11. Final-year salaries should not be inflated to boost pension benefits.
12. 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

⁸https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/555304/reforms_to_public_sector_exit_payments_consultation_response.pdf

allowing the organisation to move on. HEIs also need cost-effective solutions and to be able to move on, but this must be balanced by requirements for accountability and openness.

13. Therefore, 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. This means that both sides in a severance agreement should understand that any information covered by a confidentiality clause will need to be disclosed, if required, to the appropriate regulator or the NAO.