

## Annual Remuneration Report – 2018/2019

### Introduction

- 1 The Remuneration Committee operates under delegated powers of the Council. In terms of the annual senior staff pay review its remit is to consider and approve merit awards and discretionary increases for all staff earning over £100k in the OU group, including the Vice-Chancellor (VC) and the Vice-Chancellor's Executive (VCE).

### Terms of Reference

- 2 Current Remuneration Committee terms of reference are published on the University's external website and can be found in Appendix 1.
- 3 At its July 2019 meeting, the Committee agreed a change in the Remuneration Committee Constitution in relation to FutureLearn. In view of the changed ownership arrangements of FutureLearn and the Finance Committee's assumption of responsibility for safeguarding the interest of the University as shareholder, it was agreed that the Remuneration Committee no longer receives reports relating to FutureLearn staff.

### Current Membership

Chair	Mrs Rachel Lock	to 31/07/2022
Pro-Chancellor	Mr Malcolm Sweeting	to 31/12/2022
Treasurer	Mr Robert McCracken	to 31/07/2023
The Vice-Chair of Council	Professor John Brooks	to 31/07/2021

#### Attendees

Committee Secretary	Caragh Molloy, Group People Director <sup>1</sup>
Working Secretary	Laura Lauer, Head of Governance
The Vice-Chancellor	Professor Mary Kellett <sup>1</sup>
The University Secretary	Dr Jonathan Nicholls <sup>1</sup>
Head of Reward and Insight	Sarah Harris

<sup>1</sup> Note that these individuals left the meeting when their own remuneration was being discussed

### Meeting Schedule

- 4 In the period 1 October 2018 to 30 September 2019 a total of six meetings were held.

<b>Dates</b>	<b>Present</b>	<b>In attendance</b>	<b>Apologies</b>
7 <sup>th</sup> December, 2018	Rachel Lock (Chair), Richard Gillingwater, John Brooks	Jonathan Nicholls (University Secretary), Fiona Roberta (Group People Director and Secretary to the Committee), Dawn Turpin (Working Secretary to the Committee)	Caroline Stockmann (Treasurer)
15 <sup>th</sup> January, 2019	Rachel Lock (Chair) Malcom Sweeting John Books	Jonathan Nicholls (University Secretary) Fiona Roberts (Group People Director and Secretary to the Committee) Dawn Turpin (Working Secretary to the Committee) Sara Common (Head of Reward & Benefits)	Sandy Begbie (Acting Treasurer)
8 <sup>th</sup> March, 2019	Rachel Lock (Chair) Malcom Sweeting	Mary Kellett (Vice-Chancellor) Jonathan Nicholls (University Secretary) Satvinder Reyatt (Interim Group People Director and Secretary to the Committee) Laura Lauer (Working Secretary to the Committee) Sara Common (Head of Reward & Insight)	Sandy Begbie (Acting Treasurer)  John Brooks
2 <sup>nd</sup> May 2019	Rachel Lock (Chair), Malcolm Sweeting	Satvinder Reyatt (Interim Group People Director and Secretary to the Committee) Sara Common (Head of Reward and Insight) Mary Kellett (Vice-Chancellor), Jonathan Nicholls (University Secretary) Laura Lauer (Head of Governance and Working Secretary to the Committee)	Sandy Begbie (Acting Treasurer)  John Brooks
16 <sup>th</sup> July, 2019	Rachel Lock (Chair) Malcom Sweeting John Brooks Sandy Begbie	Mary Kellett (Vice-Chancellor) Jonathan Nicholls (University Secretary) Satvinder Reyatt (Interim Group People Director and Secretary to the Committee) Laura Lauer (Working Secretary to the Committee) Sarah Harris (Head of Reward & Insight)	
24 <sup>th</sup> Sept 2019	John Brooks (Vice-Chair Council) in the chair Malcolm Sweeting	Mary Kellett (Vice-Chancellor) Jonathan Nicholls (University Secretary) Caragh Molloy (Group People Director and Secretary to the Committee) Satvinder Reyatt (Deputy Group People Director) Laura Lauer (Working Secretary to the Committee) Sarah Harris (Head of Reward & Insight)	Rachel Lock  Robert McCracken

## Approach to Remuneration

- 5 The Open University Campus in Milton Keynes operates within a competitive local employment market with fierce competition from local high-quality employers as well as its close proximity to the London labour market. In this context, the University's ability to attract and retain talented individuals in professional and commercial roles can prove challenging but all remuneration packages where the salary is recommended above £100k are scrutinised by the Remuneration Committee to ensure that market data and internal comparators are fully taken into account before approval is given.
- 6 In considering reward proposals for senior post holders the following factors are considered;
- a) Budget: Pay increases or one-off awards can only be made if the spend is within the maximum expenditure permitted.
  - b) Contribution:
    - i) Demonstrable exceptional performance that has a significant contribution to the university's strategic objectives should be rewarded through movement to a higher point on the salary scale.
    - ii) Pay increases agreed for Band 3 professors and Band 5 academic-related staff may typically be equivalent to the incremental spinal points on lower bands of the appropriate scale. In exceptional circumstances, increases may be awarded above these points, where justified by an appropriate business case (e.g. market competitiveness).
    - iii) For one-off awards an award should be proportional to the time spent and the value or impact of the work.
      - i. Low contributions with considerable impact(s) in terms of their scale and significance.
      - ii. Medium- contributions with very considerable impact(s) in terms of their scale and significance.
      - iii. High contributions with outstanding impact(s) in terms of their scale and significance.
      - iv. Where the contribution of an individual is below expectation, or has not met objectives, the expectation is that incremental and once off awards will not be awarded. Where appropriate, such cases should be dealt with via performance management processes.
  - c) Internal equity: Consideration should be given to the rate of increase of the average remuneration of all other staff when considering proposals for senior staff.
  - d) External market data: For employee's earning greater than £100k, external market data information provided by the Universities and Colleges Employers Association (UCEA) has been taken into account when looking at salary proposals. In addition,

where data is available, for academic related roles, market data information has also been provided by Willis Towers Watson.

- e) The Reward Strategy's aim is to ensure that as an institution, we reward, recognise and encourage high performance which is focused on enabling our students to achieve their goals.

- 7 The Vice-Chancellor's remuneration is published in the Financial Statements. Also published is the number of other staff falling into bands of £5,000 above the £100k per annum threshold, as required by the Office for Students (OfS).

## Institutional Performance and Strategic Objectives

- 8 The context within which senior pay is determined includes reference to Institutional performance. Institutional performance is assessed against several key strategic objectives. There are twelve headline measures, aligned to the University's five key strategic objectives:
  - a. Student Success
  - b. Excellent teaching and research
  - c. Growth and sustainability
  - d. Technology that enable success
  - e. Dynamic and inclusive culture
- 9 Institutional performance is considered in the recommendation for the VC's pay.

## Vice-Chancellor Pay

- 10 Consideration is given to several factors in determining the Vice-Chancellor's pay. This includes the following:
  - a) Pro-Chancellor's report – summary of performance against agreed objectives. Pro Chancellor seeks feedback from Council members against delivery of personal objectives and institutional performance.
  - b) Institutional performance report - Institutional performance based on KPIs and metrics agreed by the Council. The measures are as per detailed in paragraph 8-9 above
  - c) Comparative pay and market data – including pay multiples
  - d) External market conditions
- 11 Summary positioning of the VC pay details for the year ending 31 July 2019 can be seen in the table below. The effective date used for the pay multiple calculation is 31<sup>st</sup> July and is based on the UCEA methodology recommended by the CUC.

## Vice Chancellor Pay Justification

	<b>Vice-Chancellor Professor M Kellett</b>
Annual Salary	£270,000
Performance Related Pay	Eligible to be considered for discretionary merit award (based on previous year's performance)
Benefits	Pension: 18% to 19.5% employer contribution on substantive salary Annual accommodation allowance of £27,000
Salary Benchmark against UCEA <sup>1</sup> data +£400m revenue higher education provider	Lower quartile
Salary Benchmark against CUC <sup>2</sup> data +£400m revenue higher education provider	Lower quartile
Salary Benchmark against OfS data +£400m revenue higher education provider	Lower quartile
Context	Moved from Acting VC to substantive role in November 2018. Retired at the end of September 2019

<sup>1</sup> UCEA: Universities and Colleges Employers Association

<sup>2</sup> CUC: Committee of University Chairs

Pay Multiple based on median pay in the OU (Based on UCEA methodology)	31 July 2019 multiple £39,609 – 6.82x
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## External Income

- 12 The amount retained from external bodies by the Vice-Chancellor in the financial year 2018/2019 was £0.

## Senior Staff Pay Review 2019

- 13 The 2019 Senior Pay Review was managed in line with the Senior Pay Review Policy. In summary the sign off process is:
- The annual pay review for Professors and Grade 10 staff who earn less than £100k are delegated to Heads of Unit/VCE and validated by VCE.

- b) Staff earning over £100k, excluding VCE, will be validated by VCE and approved by the Remuneration Committee.
  - c) VCE proposals will be reviewed and approved by the Remuneration Committee.
- 14 The policy and associated guidance were reviewed and updated in 2019 to reflect the position regarding the merit award for the performance year.
- 15 Summary analysis of proposals were provided to both VCE and Remuneration Committee and included a review of gender and ethnicity equality indicators in relation to spend, increments and special awards. The analysis did not demonstrate any evidence of inconsistent application of pay review proposals.

## Expenses

- 16 Remuneration Committee received a biannual report on the travel and subsistence expenditure of members of the Executive. The half year report was presented in March 2019 and a full year report in September 2019. A summary, by role title, will be published on the University's Freedom of Information website.
- 17 The Travel and Subsistence policy can be found in Appendix 2