**Annual Remuneration Report – 2017/2018**

**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-Chancellors Executive (VCE).

**Terms of reference**

1. Current Remuneration Committee terms of reference are published on the University’s external website and can be found in Appendix 1.
2. The Committee, at its July 2018 meeting and as part of its annual effectiveness review, agreed to recommend amendments to the terms of reference of the Committee. The amendments reflected changes to the population of senior staff to be determined by the Committee, which were agreed by the Council in March 2018 (see paragraphs 14 and 15 below), and changes in response to the Committee of University Chairs (CUC) HE Senior Staff Remuneration Code.
3. The Committee, at its September 2018 meeting, agreed to recommend to the Governance & Nominations Committee a change to its terms of reference in relation to FutureLearn senior staff. In future, a report will be provided to Remuneration Committee on FutureLearn employees earning greater than £100k.

**Current membership**

Chair Mrs Rachel Lock to 31/07/2019

Pro Chancellor Mr Richard Gillingwater CBE to 31/12/2018

Treasurer Mrs Caroline Stockmann to 31/12/2021

The Vice-Chair of the Council Professor John Brooks to 31/07/2021

**Attendees**

Committee Secretary Ms Fiona Roberts (Group HR Director)1

Working Secretary Mrs Dawn Turpin

The Vice Chancellor (Acting) Professor Mary Kellett1

The University Secretary Dr Jonathan Nicholls1

 1 Note that these individuals leave the meeting when their own remuneration is being discussed

**Meeting Schedule**

1. In the period 1st October, 2017 to 30th September, 2018 a total of four meetings were held.

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| **Dates** | **Present**  | **In attendance** | **Apologies** |
| 19th October, 2017 | Rachel Lock (Chair)Richard GillingwaterMr Howard Brown | Peter Horrocks (Vice Chancellor)Keith Zimmerman (University Secretary)Fiona Roberts (Group HR Director)Satvinder Reyatt (Deputy Group HR Director)Dawn Turpin (Secretary) | Professor John Brooks |
| 6th March, 2018 | Rachel Lock (Chair)Richard GillingwaterProfessor John BrooksCaroline Stockmann | Peter Horrocks (Vice Chancellor)Keith Zimmerman (University Secretary)Fiona Roberts (Group HR Director)Dawn Turpin (Secretary)Sara Common (Head of Reward & Benefits) |  |
| 17th July, 2018 | Rachel Lock (Chair)Richard GillingwaterProfessor John Brooks | Professor Mary Kellett (Acting Vice Chancellor)Dr Jonathan Nicholls (University Secretary)Fiona Roberts (Group HR Director)Sara Common (Head of Reward & Benefits)Dawn Turpin (Working Secretary) | Caroline Stockmann |
| 25th September 2018 | Rachel Lock (Chair)Richard GillingwaterProfessor John Brooks | Professor Mary Kellett (Acting Vice Chancellor)Dr Jonathan Nicholls (University Secretary)Fiona Roberts (Group HR Director)Sara Common (Head of Reward & Benefits)Dawn Turpin (Working Secretary) | Caroline Stockmann |

The University publishes in its financial statements the remuneration of the Vice-Chancellor. Also published is the number of other high paid staff, falling into bands of £5,000 above the £100k per annum threshold, as required by the Office for Students (OfS).

**Approach to remuneration**

1. The Open University in Milton Keynes operates within a competitive local market with fierce competition from local high quality employers such as Volkswagen group, Santander, Deloitte and Network Rail as well as its close proximity to the London labour market. Given the current approach to remuneration and benefits, the OU’s ability to attract and retain top talent in professional and commercial roles is a challenge.
2. In considering reward proposals for senior post holders the following factors are taken into account.
* **Budget:** Pay increases or once-off awards can only be made if the spend is within the maximum expenditure permitted.
* **Contribution:**
	+ 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.
	+ 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).
	+ For once-off awards an award should be proportional to the time spent and the value or impact of the work.
		- Low- contributions with considerable impact(s) in terms of their scale and significance.
		- Medium- contributions with very considerable impact(s) in terms of their scale and significance.
		- High- contributions with outstanding impact(s) in terms of their scale and significance.
		- 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.
* **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.
* **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 Korn Ferry Hay Group.

**Reward Strategy:** An update on the Reward Strategy was provided and agreed at the September 2018 Remuneration Committee and, going forward, this will provide the framework within which the approach to Senior Pay is developed. The 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.

**Institutional Performance & Strategic Objectives**

1. The context within which senior pay is determined includes reference to Institutional performance. Institutional performance is assessed against a number of key strategic objectives. The 5 top priority measures agreed by the council are:
* Increase the numbers of students achieving or on track to achieve an Open University qualification
* Increase the numbers of qualified students who reported positive career development outcomes through their study with the Open University
* Increase student satisfaction measured through the National Student Survey (NSS)
* Significantly increase our total revenue from non-core sources
* Increase the staff survey score for the question “I feel motivated at work”
1. Institutional performance is considered in the recommendation for the VC’s pay.

**VC Pay**

1. Consideration was given to a number of factors in determining the Acting Vice-Chancellor’s (AVC) pay. This includes the following:
2. Pro-Chancellor’s report – summary of performance against agreed objectives
3. Institutional performance report – as noted in paragraphs 8-9 above.
4. Comparative pay and market data – including pay multiples
5. External market conditions
6. It was agreed at the September Remuneration Committee that the methodology and considerations for determining the AVC pay should be adopted as the formal approach for assessing the VC performance and pay.
7. Summary positioning of the previous VC and the AVC’s pay details and comparison to external benchmarking data, including pay multiples, can be seen in the tables below. The effective date used for the pay multiple calculation is 31st July each year and is based on the UCEA methodology recommended by the CUC.

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| --- | --- | --- |
|  | 31st July 2018 | Year ending 31st July 2017 |
|  | Acting Vice-Chancellor | Vice-Chancellor |
|  | Professor M Kellett | Mr P J G Horrocks |
| Annual Salary | £250,000 (including acting allowance of £117,000) | £332,000 |
| Performance Related Pay | Eligible to be considered for discretionary merit award (based on previous year’s performance) | Eligible to be considered for 6.5% performance-related bonus (based on previous year’s performance)£13,000 paid October 16 for 15/16 performance year |
| Benefits | Pension: 18% employer contribution on substantive salaryAnnual accommodation allowance of £27,000 | Company carUse of premises, contribution to removal expenses |
| Salary Benchmark against UCEA2 data+£400m revenue higher education provider | Below lower quartile | Upper quartile |
| Salary Benchmark against CUC3 data+£400m revenue higher education provider | Below lower quartile | Upper quartile |

2 UCEA: Universities and Colleges Employers Association

3 CUC: Committee of University Chairs

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| --- | --- | --- |
| Context | Internal appointment as Acting VC. Salary uplift to overall market midpoint. | Permanent appointment made – seeking a commercial appointment in a competitive market place |
| Pay Multiple based on median pay in the OU(Based on UCEA methodology) | 31 July 2018 multiple £38,833 – 6.44x | 31 July 2017 multiple £38,183 – 9.05x |
| Process for judging performance | Pro Chancellor seeks feedback from Council members against delivery of personal objectives and institutional performanceRemuneration Committee review performance outcome and consider overall institutional performance |

**External Income**

1. The amount retained from external bodies by the Acting Vice Chancellor in the financial year 2017/2018 was £0.

**Senior staff pay review 2018**

1. In March 2018, Remuneration Committee agreed to recommend to the Council changes to the population whose annual salary review is subject to approval by the Remuneration Committee.
2. In summary:
* The annual pay review for Professors and Grade 10 staff who earn less than £100k continues to be delegated to Heads of Unit/VCE, however, these are now validated by VCE.
* Staff earning over £100k, excluding VCE, will be validated by VCE and approved by the Remuneration Committee.
* VCE proposals will be validated and approved by the Remuneration Committee.

These changes were approved by the Council in May 2018.

1. The policy and associated guidance were updated in 2018 to reflect this as well as the new requirements detailed in the Committee of University Chairs (CUC) code which was introduced in June 2018.
2. Summary analysis of proposals were provided to both VCE and Remuneration Committee and included a review of gender 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**

1. Remuneration Committee received an annual report on the travel and subsistence expenditure of members of the Executive in September 2018. A summary, by role title will be published on the University’s Freedom of Information website.
2. The Travel and Subsistence policy can be found in Appendix 2