

Annual Remuneration Report for 2020/2021

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).
- 2 The Higher Education Senior Staff Remuneration Code requires a Remuneration Annual Report to be presented to the institution's governing body.

Terms of reference

- 3 This year the Remuneration Committee has reviewed the terms of reference as published on the University's [external website](#) and made small adjustments to terminology for greater clarity.

Institutional performance & strategic objectives

- 4 The context for determining senior pay includes reference to Institutional performance that includes five key strategic objectives;
 - a) Student Success
 - b) Excellent teaching and research
 - c) Growth and sustainability
 - d) Technology that enables success
 - e) Dynamic and inclusive culture
- 5 These objectives have a further twelve headline measures aligned to them (please refer to [strategy and policies](#) for full details)

Approach to remuneration

Recruitment

- 6 When considering proposals for senior appointments with a total pay (excluding pension) above £100k, the Committee considers external market data, internal comparators and a business case before approval is given. This process has been effective throughout the year during which only 1 candidate for a senior post withdrew after they were offered the role, for which salary was not the reason.

Recognition & retention

- 7 We reward, recognise and encourage high performance focused on enabling our students to achieve their goals, and achieving high quality research. When reviewing proposals for salary increases and performance-related merit awards, the Committee considers the following factors:

- 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. This is 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) One-off merit awards (reinstated for the 2022/2021 performance year) are proportional to the time spent and the value or impact of the work.
- c) **Internal equity:** the average remuneration of other relevant roles is considered when reviewing proposals.
- d) **External market compensation data:** a balanced approach of using both University and Colleges Employers Association (UCEA) and Willis Towers Watson (WTW) data is used. UCEA data continues to be the primary benchmark. WTW is used for specialist Professional Services' roles as a secondary source to add additional context. Members consider the total package (including pension contribution), not just base salary, when reviewing compensation comparisons against the market.

8 VCE approved the reinstatement of the merit award for the 2021 pay review. This was approved by the Remuneration Committee for senior staff. The committee also approved the reinstatement of discretionary increments which were only considered to address equity issues or to honour existing/deferred agreements during 2020. The reward framework therefore included;

- a) **Merit award** – this is a one-off award for individuals demonstrating excellent contribution. It remains the University's intention to review the Scheme for future years as part of a reward framework review.
- b) **Discretionary increments**– Increases to base pay for senior staff who evidence sustained excellence over a substantial period or where;
 - i) An individual's pay was agreed earlier in the year with implementation of an increase deferred to the annual pay review period.
 - ii) An individual's role changed during the year and pay adjustments were deferred to the annual pay review period.
 - iii) An individual's pay required a review to address inequity.
- c) **Going the extra mile award scheme** – this scheme remains unaffected. People Business Partners, in conjunction with the Head of Business Unit, continue to work in partnership to ensure the use of GEM Awards is fair, transparent and equitable.
- d) **Cost of living award** – this is nationally agreed for all roles across the sector and for 2020/2021 a 1.5% cost of living award has been implemented. Note that as of 21 October, both UNISON and UCU are balloting members for strike action and action short of a strike (ASOS) over the 2021-22 pay award

9 A substantial piece of reward work is underway to review the future reward framework. This will be a key focus for the Committee during 2022.

Vice-Chancellor pay

- 10 The Committee recognises the complexities of benchmarking the OU against external market data. The Committee reflected on the history of the Vice-Chancellor's pay and recognised it was important for the Vice-Chancellor's pay to be positioned appropriately. Following further analysis, the Committee agreed that appropriate benchmark comparators were HE institutions whose turnover were £150m more or less than that of the OU, along with the current benchmarking group (pre-92 institutions with income over £400m).
- 11 In order to carry out a robust process, the Committee gave consideration to the following factors;
- Pro-Chancellor's report** – summary of performance against agreed objectives. The Pro Chancellor seeks feedback from Council members against delivery of the VC's objectives.
 - Institutional performance report** - based on KPIs and metrics agreed by the Council (as per para 4).
 - Comparative market data** – data based on the sector and includes pay multiples
 - External market conditions** – includes broader factors that may have affected the performance e.g. local employment market.
- 12 The Vice-Chancellor is not contractually eligible for the automatic Cost-of-Living award however is eligible for an annual salary review.
- 13 Summary positioning of the VC's pay details and comparison to external benchmarking data is shown below.

	Professor T Blackman
Annual salary	£270,000
Performance-related pay	Eligible to be considered for discretionary merit award (based on previous year's performance)
Benefits	£36,700 pension allowance. Not in current pension scheme £8,300 Relocation accommodation (Benefit in kind amount) £3,200 Life Assurance Premium £20,000 Relocation costs
Salary Benchmark against UCEA data +£400m revenue higher education provider	Below Lower Quartile
Salary Benchmark against UCEA data £325m-£625m revenue higher education provider	Lower Quartile
Salary Benchmark against CUC data +£400m revenue higher education provider	Below Lower Quartile
Salary Benchmark against CUC data £325m-£625m revenue higher education provider	Lower Quartile
Context	Start date October 2019 Not eligible for national cost of living award however eligible for an annual salary review It is Remuneration Committee's intention to position the Vice-Chancellor closer to the median salary benchmarks over time.

- 14 The pay multiple calculation is based on the UCEA methodology agreed by the Committee of University Chairs.

Pay Multiple based on median pay in the OU (Based on UCEA methodology)	31 July 2021 multiple £40,822 – 6.61x
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- 15 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).
- 16 The Committee of University Chairs' guidance requires disclosure of any income received by the Vice-Chancellor for externally paid appointments. The Vice-Chancellor received £0 in the financial year 2020/2021

Senior staff pay review

- 17 The Senior Pay Review was conducted in line with the approach to remuneration for 2021 noted in para 7.
- 18 As part of the Senior Pay Review, the committee noted a report on changes to and newly created senior staff roles over the last three years. The data indicated that there were no material increases in the overall headcount or the salary costs of the senior staff population. This gave the Committee assurance that the University had controls in place. The exercise will continue to be repeated annually

CUC SENIOR STAFF REMUNERATION CODE

- 19 At the request of the chair, the 2020 OU's Annual Remuneration Report was reviewed against the principles set out by CUC. The OU was broadly compliant with the principles with the only adjustment being that the External Income Policy is now published on the OU website in addition to internal publication

Expenses

- 20 In line with the University's [Travel and Subsistence policy](#), the Committee received the bi-annual report on the travel and subsistence expenditure of members of the Executive.
- 21 The half-year report was presented in May 2021 and a full year report in October 2021. No concerns or remedial actions were recommended. A summary, by role title, will be published on the University's Freedom of Information website.