

**Annual Remuneration Report for 2021/2022**

**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**

1. This year the Remuneration Committee has reviewed the terms of reference as published on the University’s [external website](http://www.open.ac.uk/about/main/governance-ou/university-committees). No adjustments were made.

**Institutional performance & strategic objectives**

1. The context for determining senior pay includes reference to Institutional performance that includes five key strategic objectives;
2. Student Success
3. Excellent teaching and research
4. Growth and sustainability
5. Technology that enables success
6. Dynamic and inclusive culture
7. These objectives have a further twelve headline measures aligned to them (see the strategic Performance Report for full details).
8. The above strategic objectives have been replaced by five goals under the new University Strategy for 2022-2027. As the recent senior pay review considers contribution during the 2021/2022 academic year the former objectives are still relevant to the process. Looking forward to the 2022/2023 senior pay review, the new University Strategy will serve as the determining context and will be detailed in next year’s annual remuneration report.

**Approach to remuneration**

*Recruitment*

1. 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 with no candidates for a senior post withdrawing after they were offered the role.

*Recognition & retention*

1. We reward, recognise, and encourage high performance focused on *inter alia* 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:
2. **Allocation of funds**: pay increases or one-off awards can only be made if the spend is within the maximum expenditure permitted. At the request of the Committee, a cash limit on or pay allocation for the scheme was agreed for the 2021/22 scheme as 20% of the average spend for both merit awards and additional/discretionary increments for eligible senior staff.
3. **Contribution**:
   * 1. Demonstrable exceptional performance that has a significant contribution to the University’s strategic objectives is rewarded through movement to a higher point on the salary scale.
     2. 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).
     3. One-off merit awards are proportional to the time spent and the value or impact of the work.
4. **Internal equity**: the average remuneration of other relevant roles is considered when reviewing proposals.
5. **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 remuneration package (including pension contribution), not just base salary, when reviewing compensation comparisons against the market.
6. At the request of Remuneration Committee, a definition of exceptional performance was agreed for the 2021/22 scheme. The short form of that definition: *Exceptional performance is defined as exceeding what would normally be expected of the role across all of its responsibilities, and in a way that is exemplary when considered against the University’s behavioural expectations. It is reasonably anticipated that this level of performance will continue.* Other features of the scheme design were:
7. **Merit awards** – these are one-off award for individuals demonstrating exceptional performance (as defined above), but in relation to the assessment of quality of shorter-term achievements which are not expected to continue.
8. **Discretionary increments**– increases to base pay for senior staff who evidence sustained excellence over a substantial period or where;
9. An individual’s pay was agreed earlier in the year with implementation of an increase deferred to the annual pay review period.
10. An individual’s role changed during the year and pay adjustments were deferred to the annual pay review period.
11. An individual’s pay required a review to address inequity.
12. **Going the extra mile award scheme** – 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.
13. **Cost of living award** – this is nationally agreed for all roles across the sector and for 2021/2022 a 3% cost of living award has been implemented. Note that as of 24 October, UCU has balloted its members for strike action over pay and working conditions and pensions, and the ballot result is a majority in favour.

**Vice-chancellors pay**

1. The Committee recognises the complexities of benchmarking the OU against external market data. The Committee continued to agree that appropriate benchmark comparators were HE institutions whose turnover was £150m more or less than that of the OU, along with the current benchmarking group (pre-92 institutions with income over £400m).
2. In order to carry out a robust process, the Committee gave consideration to the following factors;
3. **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.
4. **Institutional performance report** - based on KPIs and metrics agreed by the Council (as per para 4).
5. **Comparative market data** – data based on the sector and includes pay multiples
6. **External market conditions** – includes broader factors that may have affected the performance e.g. local employment market.
7. The Vice-Chancellor is not contractually eligible for the automatic Cost-of-Living award however is eligible for an annual salary review.
8. Summary positioning of the VC’s pay details and comparison to external benchmarking data is shown below.

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|  | **Professor T Blackman** |
| **Annual salary** | £277,500 |
| **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  £3,200 Life Assurance Premium |
| **Salary Benchmark against UCEA data +£400m revenue higher education provider** | Lower Quartile – £290,194 |
| **Salary Benchmark against UCEA data £325m-£625m revenue higher education provider** | Lower Quartile - £276,869 |
| **Salary Benchmark against CUC data +£400m revenue higher education provider** | Lower Quartile - £289,275 |
| **Salary Benchmark against CUC data £325m-£625m revenue higher education provider** | Lower Quartile - £276,659 |
| **Context** | Start date October 2019  Not eligible for national cost of living award however eligible for an annual salary review. It remains the Remuneration Committee’s intention to position the Vice-Chancellor closer to the median salary benchmarks over time. |

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

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| Pay Multiple based on median pay in the OU  (Based on UCEA methodology) | 31 July 2022 multiple  £40,927 – 6.78x |

1. 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).
2. 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 2021/2022

**Senior staff pay review**

1. The Senior Pay Review was conducted in line with the approach to remuneration for 2022 noted in para 8.
2. 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

**Future Reward plan and Reward principles**

1. The Committee approved a Future Reward Plan 2022-25 for the University on the recommendation of VCE. Aligned to the University’s strategy, the Plan’s ambition is to introduce a total reward approach at the University by the end of 2025. Realisation of the Plan provides clearly articulated benefits for both the OU as an employer and for university employees. The Plan clarifies the employee deal: the promise the University makes to employees (including reward and benefits) in return for their commitment. A newly created Reward Working Group has begun meeting and is tasked with overseeing the development of and ensuring the effective implementation of the Plan.

**CUC Senior Staff Remuneration Code**

1. Following the revision of the CUC HE Senior Staff Remuneration Code in November 2021, the Committee noted minor amendments that had been made to the Code and agreed that the OU remained compliant with it.

**Expenses**

1. In line with the University’s [Travel and Subsistence policy](file:///\\davisson\1Reward&Benefits\Senior%20Pay%20review\2021%20review\Comms\Annual%20Rem%20report\Appendix%202%20Travel-and-Subsistence-Policy.pdf), the Committee received the bi-annual report on the travel and subsistence expenditure of members of the Executive.
2. The half-year report was presented in May 2022 and a full year report in October 2022. No concerns or remedial actions were recommended. A summary, by role title, will be published on the University’s Freedom of Information website.