

## Remuneration Committee, October 2015

### Context

Remuneration Committee will conduct the annual review of the salaries of SMG members at its next meeting, which is scheduled for 7 October. In line with established practice, it will submit a full minute of that meeting to the December meeting of Court, summarising the decisions it has made and setting out their rationale.

There has been one significant development in this area since the Committee met last year, which is that the Committee of Scottish Chairs has issued a Guidance Note (see [Appendix](#)). In addressing its work this year, the Committee will observe the guidance provided by this document. One aspect of it is that *'each year, in advance of the committee's annual review of senior salaries, the governing body should provide policy guidance to the committee'*. This practice was adopted by the University last year. **Following the approach adopted then, members of the Remuneration Committee would like to establish if Court is content with the following statement, which reflects the approach it adopted last year and which was approved by Court.**

### Proposed method of reviewing senior management salaries

Remuneration Committee's review of the salaries of members of SMG will be informed by:

- a statement of each SMG member's salary for this and the previous 4 years;
- benchmark information, from the Universities and Colleges Employers Association, showing how Glasgow's salary levels compare with those of other UK universities;
- advice from the Principal on the performance of each member of the SMG in 2014/15, following his P&DR discussions with them; and
- in respect of the Principal, advice on performance from the Convener of Court, following his P&DR discussion with the Principal and reflecting the views he has obtained on the Principal's performance through his discussions with staff, students and lay governors.

In considering the appropriate level of reward, the Committee intends to:

- provide tangible reward for excellent performance;
- give consideration to any cases where the salary awarded by the University is substantially out of line with that of managers in equivalent positions at comparable universities; and
- apply a general principle that percentage pay increases for senior managers should not be higher than those for the workforce as a whole.

The Remuneration Committee's remit is attached for reference.

Remuneration Committee Remit (as approved by Court, 25 June 2014)

To formulate the University's remuneration policy, and to review that policy annually, recommending changes to Court as appropriate:

To determine salaries for members of the Senior Management Group, having regard to:

- their performance in advancing the University's strategic objectives,
- the need to offer salaries that are competitive with those of other major UK universities, as reflected in robust comparative data, and
- the budget approved by Court;

In the absence of the Principal, to determine the Principal's salary;

Annually, to determine the University's policy on the performance-related reward of professorial and senior administrative staff (all Level 10 staff); and

To advise Court on the University's policy on severance arrangements for staff, and, within parameters agreed by Court, to implement that policy, considering on an individual basis, any severance proposal:

- that departs from the parameters agreed by Court, and/or
- that pertains to a member of the Senior Management Group.

**Guidance Note on the operation of remuneration committees  
in Scottish higher education.**

**The context**

Effective governance is vital to the success of Scotland's higher education institutions, and the remuneration committee is an important part of the governance framework. This guidance note considers the work of remuneration committees and is intended to clarify key principles and elements of good practice. Higher education institutions are autonomous bodies, and each institution must develop its own approach, consistent with the character of the organisation and the expectations of its stakeholders.

The reputation of higher education can be damaged by pay packages for senior staff that are perceived to be out of line with pay and conditions elsewhere. Remuneration committees face a challenge in responding to the global market for talent, while ensuring that pay is clearly justified by performance and that salary increases are sustainable. This is an important reputational issue and therefore one that is of concern to the governing body.

A further important consideration for remuneration committees is that they should operate in a spirit of openness with regard to their policies and practice. There is a legitimate public interest in the remuneration of senior executives in higher education, and there has often in the past been a perception of secrecy surrounding pay decisions. Scottish higher education strives to apply the highest standards of governance, and in that context it is important to demonstrate transparency around remuneration policies and processes.

**General Principles**

Good governance requires that the governing body has in place a policy and arrangements for determining the pay of senior staff. These must ensure that senior staff are appropriately remunerated with regard to performance and retention. They must also be robust and proportionate in their use of the University's funds.

Remuneration committees must implement the policy approved by the governing body. They must make pay decisions that are justified, fair and equitable. They must also report to the governing body in sufficient detail to demonstrate that they have applied the policy approved by the governing body and that they have done so in a sound and rigorous manner.

**Terms of Reference**

***Membership.*** The remuneration committee should include at least three independent members (not necessarily members of the governing body), one of whom should be a member of the finance or equivalent committee, and from among whom a committee chair should be appointed. Among them, these members must have substantial

remuneration committee experience. In addition, the membership should include the chair of the governing body.

The Principal should be consulted on remuneration relating to other senior post-holders and should attend meetings of the committee, except when the committee discusses matters relating to his/her own remuneration.

It is essential that the committee is serviced by an officer of appropriate seniority to provide the necessary advice and guidance. This should be the secretary of the governing body or the director of human resources. The committee's secretary must have the means to commission external professional advice as required.

*The Remit* of the remuneration committee should be established by the governing body, which should review it at least once every three years. The committee must have responsibility, operating within policies approved by the governing body, for setting the salaries of the members of the University's senior management team. It should also be required to ensure that appropriate and robust arrangements are in place for determining the salaries of all other senior staff (professorial and equivalent).

The committee should oversee implementation of the University's severance policy, and should have specific responsibility for determining any severance payment to a member of the senior management team.

### **Method of Operation**

The policies and processes used by the remuneration committee in reaching decisions on individuals should be discussed by the whole governing body. Each year, in advance of the committee's annual review of senior salaries, the governing body should provide policy guidance to the committee.

The committee's decisions on pay must be evidence-based. They should be informed by a robust system of monitoring individual and team performance against agreed objectives. In addition, the remuneration committee must consider comparative information on salaries and other benefits and conditions of service in the higher education sector. Useful UK sources are: the CUC database of salaries, benefits and conditions of service for heads of institution; and the UCEA data on the salaries of senior university staff. Benchmark data of this sort provides useful indicators and a framework for the exercise of judgment: it should not be used in a mechanistic or formulaic manner. It is important also that the benchmarks selected should be regularly reviewed by the remuneration committee.

It is essential that the remuneration committee should meet often enough and for long enough to ensure that its business is transacted thoroughly and with attention to detail.

## **Severance Payments**

The University should have a policy on severance payments, approved by the governing body, and consistent with the terms of the SFC financial memorandum.

The remuneration committee should oversee the implementation of the severance policy. Its specific approval should always be required for any severance payment that:

- exceeds a threshold sum, as defined by the governing body;
- departs from the standard severance terms approved by the governing body; or
- applies to a member of the senior management team.

In considering these matters the remuneration committee must represent the public interest and avoid any inappropriate use of public funds. It should be careful not to approve a severance package which staff, students and the public might reasonably deem excessive.

## **Reporting**

The remuneration committee's reports to the governing body should provide sufficient detail (including clarity on the nature of benchmark data the committee has used) to enable governors to assure themselves that a fair, sound and rigorous process has taken place, since overall responsibility for this rests with the governing body.

The remuneration committee should identify those posts in the senior team which are regarded as forming the senior executive team, and it should publish the salaries of this group of staff by salary band.

Transparency serves to maintain trust in an organisation, and institutions should think carefully about what information they can place in the public domain. This is a sensitive subject, with considerations of personal and commercial confidentiality set alongside a legitimate public interest in the salaries of senior university managers. Practice at several Scottish higher education institutions is that reports provided to the governing body are made publicly available.

## **Review**

The work of the remuneration committee should be included within the institution's Internal Audit Plan.

There should be external review of the remuneration committee's practices. This may take place through the appointment of an external expert to act as an observer on the committee and/or through a periodic effectiveness review, conducted by an external expert.

Committee of Scottish Chairs, August 2015