

***Welsh Assembly Public Accounts Committee inquiry into senior management pay: Committee of University Chairs briefing note.***

***Introduction***

The Committee of University Chairs (CUC) welcomes the opportunity to provide a briefing note Welsh Assembly Public Accounts Committee inquiry into senior management pay on the remuneration practices in higher education.

The CUC is the representative body for Chairs of UK Higher Education Institution (HEI) governing bodies and being a UK-wide body, works closely with the Chairs of Higher Education in Wales (CHEW). The CUC's main purpose is to enable the chairs of governing bodies to contribute their distinctive experience, knowledge and perspective as laypersons to the benefit of the governance of the sector as a whole, articulated through the voluntary Governance Code of Practice (the Code) and other Guidance. The Code provides governing bodies with an authoritative source of advice and guidance on their responsibilities and behaviours, practices and standards that are expected to be maintained, this includes in the area of the recruitment and remuneration of senior staff.

Although the Code is voluntary the funding councils in both Wales and England<sup>1</sup> view adoption of the principles of the code adapted as appropriate to each HEI's character, as an important factor in enabling them to rely on self-regulation within HEIs. The extent to which institutions adopt the code is noted within their annual reports.

***The higher education remuneration process***

UK HEIs, including those in Wales, are successful, complex and diverse organisations operating in an increasingly competitive global environment. The autonomy to develop, within recognised practice and standards, individual approaches to governance reflecting institutional context is critical to both the success of HEIs and the sector as a whole. This includes individual institutions setting their own remuneration policies.

Governing Bodies are very much aware of their responsibilities in this area and of the importance of giving confidence to all stakeholders that they have a mature and balanced approach towards senior remuneration. Staff costs are the biggest item of expenditure in any institution and Governing Bodies understand that accountability expectations make it all the more important for decisions on pay at all levels to be based on sound and robust principles.

Within HEIs senior levels of pay are determined by independent remuneration committees which report to their university's governing body. Remuneration committees are accountable to the governing bodies they advise and it is the governing body which is collectively accountable for institutional activities, taking all final decisions on matters of fundamental concern.

CUC's guidance<sup>2</sup> states that it is for individual remuneration committees to determine and review the employment terms and conditions of senior staff, including approaches to pay and reward. Each university is autonomous in this respect and decisions on remuneration will reflect their

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<sup>1</sup> Scottish Institutions are required by the devolved administration to reference an alternative code.

<sup>2</sup> See appendix

individual circumstances. In reality this means remuneration committees considering emoluments, in light of comparative data from within the higher education sector as required by the Code, and balancing this with the need to recruit and retain senior staff and the requirement to demonstrate value for money in use of stakeholder funds. The data available to remuneration committees is extensive with both the Universities and Colleges Employers Association and the CUC monitoring and reporting on levels of senior pay.

Our longstanding guidance on the composition of remuneration committees is that membership should consist of at least three independent/lay members; this does not preclude remuneration committees from appointing independent members with educational experience.

### ***Effectiveness of the process***

Widely cited press coverage of Vice-Chancellor pay is often factually incorrect and unnecessarily inflammatory. In particular, comparing the individual increases of heads of institutions to the basic, nationally negotiated, pay award made in the HE sector is misleading as many staff receive additional pay increases due to incremental pay progression awards, contribution-related pay, and promotion.

Furthermore, headline salary figures for Vice-Chancellors do not account for the total cost of the post to the institution; a more accurate measure is total emoluments received by post holders. The recent THE article<sup>3</sup> found that in 2012/13 the value of Vice-Chancellors' and Principals' emoluments increased by 3.3 per cent against an average of 3 per cent for increases received by non-senior staff at most universities in the same year.

On another measure, the Hutton Review on Fair Pay in the public sector (2011) proposed that "*median earnings are a more representative measure of the pay of the whole workforce.*" In this respect the Hutton review reported that the ratio of senior pay to median pay in higher education, consistently in the region of 6:1<sup>4</sup>, was lower than both the Civil Service and the Military<sup>5</sup>.

### ***Conclusion***

Governing bodies and their remuneration committees take their responsibilities to meet the leadership requirements of their institutions and demonstrate good use of public funds very seriously. The CUC welcomes the public interest in remuneration practices as we believe the evidence suggests that they are robust and that Vice-Chancellors' and Principals' pay reflects the contribution they make to their institutions and communities as well as the reputation of UK higher education.

That is not to say that further improvements, particularly in the transparency of the processes, cannot be made and we are currently working to update our guidance to include strong illustrative practice from across the UK and would be happy to share this with the inquiry when it is completed later in the year.

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<sup>3</sup> Times Higher Education pay survey, 2014, THE 3 April 2014.

<sup>4</sup> Sources: UCEA Senior Staff Remuneration Survey and the ONS. Ratio is calculated based on median average total pay for Heads of Institution and median full-time earnings in the HE sector.

<sup>5</sup> Hutton Review on Fair Pay in the public sector, 2011 p.33 Chart 2A

## **Appendix: Excerpt from the Governance Code of Practice<sup>6</sup>**

2.46. Governing bodies should establish a remuneration committee to determine and review the salaries, terms and conditions (and, where appropriate, severance payments) of the head of institution and such other members of staff as the governing body deems appropriate.

2.47. Membership of such a committee should include the chair of the governing body, at least three other lay/independent members (not necessarily members of the governing body) and the lay treasurer if such an office exists, from among whom a committee chair should be appointed. The head of the institution may be a member of the committee, but in any case 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.

2.48. The remuneration committee must seek comparative information on salaries and other benefits and conditions of service in the higher education sector. Two sources of information are available: the CUC has a database of salaries, benefits and conditions of service for heads of institution (currently available only to chairs of governing bodies); and the Universities and Colleges Employers Association (UCEA) collects data on the salaries of other senior staff.

2.49. If considering severance arrangements for senior staff, the remuneration committee must represent the public interest and avoid any inappropriate use of public funds. The committee should be careful not to agree to a severance package which staff, students and the public might deem excessive. Contracts of employment for senior staff should specify periods of notice of not more than 12 months, and should not provide for pension enhancements.

2.50. The remuneration committee's reports to the governing body should provide sufficient detail of the broad criteria and policies against which decisions have been made.

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<sup>6</sup> The Code is published on the CUC website and available at: <http://www.universitychairs.ac.uk/wp-content/uploads/2014/02/Current-Code.pdf>