

**Guidance for Remuneration  
Committee:  
Senior Staff Remuneration  
and Severance  
Arrangements**

## Contents

1	Introduction and purpose.....	3
2	Scope.....	3
3	Roles and responsibilities.....	3
4	Guiding principles.....	4
5	Policy.....	6
6	Severance payments .....	7
7	Confidentiality clauses.....	8
8	Equality & diversity .....	9
9	Data Protection .....	9
10	Monitoring and review .....	9
11	Other relevant policies.....	<b>Error! Bookmark not defined.</b>

## Appendices

- Appendix A:** The Higher Education Senior Staff Remuneration Code - June 2018
- Appendix B:** Competitor Groups
- Appendix C:** Committee of University Chairs: Guidance on Decisions Taken about Severance Payments in HEIs
- Appendix D:** Remuneration Committee Approval of Severance Arrangements for Senior Staff
- Appendix E:** Policy on approval to undertake and retention of payments from external activities in a personal capacity

## 1 Introduction and purpose

- 1.1 De Montfort University recognises the importance of senior staff remuneration being transparent and fair. Senior pay is coming under increasing levels of scrutiny both locally and nationally. The Committee of University Chairs (CUC) published its Higher Education Senior Staff Remuneration Code in 2018 (Appendix A) which sets out certain elements for ensuring fair and appropriate remuneration including expectations around procedural fairness and transparency and accountability. In addition, the Government's Equalities Office has provided guidance to reduce the gender pay gap and improve gender equality in organisations. In determining senior staff remuneration, De Montfort University will consider transparency and fairness and value for money, along with the need to be competitive in order to attract and retain the calibre of staff needed to deliver the university's strategic plan. This guide has also been written to comply with the Association of Chief Executives of Voluntary Organisations (ACEVO) guide: *The Good Pay Guide for Charities and Social Enterprises (December 2013)*.
- 1.2 As a public institution responsible for considerable sums of public money and resources, it is essential that public confidence in the university's affairs is not undermined and that the highest standards of transparency, accountability and probity are upheld. The university has a duty to use public funds for proper purposes and to achieve value for money across teaching, research and other activities in the interest of students. De Montfort University is an exempt charity and can only use charitable funds and assets to further the charitable purpose of the institution. Therefore, this guidance has been developed to support the Remuneration Committee in ensuring scrutiny and effective governance of pay and reward or severance packages for senior staff.
- 1.3 To comply with the requirements of both the CUC code and the Office for Students (OfS) Accounts Direction, the university will publicly disclose a range of data and information concerning remuneration / severance pay for the Vice-Chancellor and other senior staff. Therefore, the approach the university takes to senior remuneration and severance will have a significant bearing on the university's reputation within and outside of the sector as well as among its own staff and students.

## 2 Scope

- 2.1 This policy statement relates to the principles guiding remuneration for senior post holders at De Montfort University who fall under the remit of the Remuneration Committee. The post holders are:
  - The Vice-Chancellor
  - Executive Board members
  - Any senior staff (excluding substantive Professors) earning £100,000 or more per annum; and
  - Any other staff who the governing body has deemed to be within the remit of the Remuneration Committee.

## 3 Roles and responsibilities

- 3.1 The university's Remuneration Committee is responsible for determining pay for senior post holders, within the policies and framework set by the Board of Governors.
- 3.2 The Executive Director of People & Organisational Development is responsible for supporting, advising and implementing actions agreed by the Remuneration Committee.

3.3 The Remuneration Committee is able to procure independent external advice, including legal advice, before making determinations on matters relating to senior staff remuneration and severance packages.

## 4 Guiding principles

4.1 Decisions on senior remuneration and severance packages will, as a minimum, reflect the guiding principles in the CUC code namely:

- i. A fair, appropriate and justifiable level of remuneration;
- ii. Procedural fairness; and
- iii. Transparency and accountability.

4.2 In addition, decisions on senior remuneration and severance packages will be in accordance with the Nolan Principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership as well as being free from unfair bias and discrimination.

### Fair, appropriate and justifiable

4.3 In determining remuneration for staff within their remit, the Remuneration Committee should consider the following factors as applicable and appropriate:

- a) The role responsibilities, context and expected contribution of the role holder which will include consideration of the market value for similar roles both within and outside of the sector and the need to recruit and retain the most talented individuals. This will include consideration of independent pay benchmarking survey. An objective consideration of the role requirements and expected contribution will be used to determine the appropriate base level of salary, rather than an assessment of the performance of the individual role holder. (Where appropriate, a payment under the **Recruitment and Retention Premium Payments** policy may be approved.)
- b) Equality and diversity and inclusion, with a view to eliminating any gender or other bias (e.g. race, disability, age, etc.) that might influence decisions on remuneration. The Remuneration Committee should have access to relevant workforce metrics including the university's performance in relation to the gender pay gap and other pay gap data.
- c) The annual rate of increase of the average remuneration of all other staff.
- d) Value for money taking account of the context in which the university operates and whether the proposed remuneration furthers the charitable aims of the university.
- e) The role holder's performance and individual contribution to the success of the university. For senior staff, this will be determined by their MAX appraisal outcomes and should consider to what extent the past or projected future performance of the senior staff member is aligned to the university's strategic objectives. This must be an evidenced-based assessment considering relevant factors including where appropriate, the following:
  - Income generation;
  - Student numbers, including international student recruitment;
  - League table position (e.g. Times Higher Education (THE), The Complete University Guide, The Guardian, National Student Survey (NSS), etc.) and relative improvement in position;

- Teaching Excellence Framework (TEF) / Research Excellence Framework (REF) performance;
- Reputation of the university / public profile / prestige;
- Individual reputation of the role-holder e.g. academic/professional credibility and prestige in the context of how this has demonstrably contributed to institutional success;
- Development of new partnerships of significant benefit to the university or its students (including international);
- Major initiatives or projects supported or delivered including in the field of teaching, management, administration or leadership.

NB Any annual bonus arrangements linked to the achievement of specific annual objectives **should not** be consolidated into basic pay but should be separately identifiable i.e. non-consolidated.

- 4.4 The Remuneration Committee must consider appropriate remuneration in cases where an individual within their remit is not delivering the required level of contribution or outcomes for the university and the reasons for any under-performance. For example, consideration should be given to any personal circumstances that might have impacted on the individual's ability to deliver in the review period (e.g. long term or substantial sickness absence, disability, time off for maternity or parental-type absences) to ensure there is no unfair bias in the process. Similarly, there may be other factors outside of the individual's control that may have contributed to under-performance.
- 4.5 Subject to 4.4, it is important that remuneration fairly reflects under-performance and, subject to any contractual requirements, this may mean there is no uplift to basic pay, no performance bonus, and in some cases it may lead to the commencement of informal or formal performance management processes.

## **Procedural fairness**

- 4.6 Procedural fairness is achieved by an appropriately constituted and quorate Remuneration Committee making determinations in accordance with these guidelines. In particular, the following will be observed:
- a) No individual can be involved in deciding his or her own remuneration (or severance package).
  - b) When considering remuneration or any severance arrangements for the Vice-Chancellor, the Remuneration Committee will be chaired by a lay governor who is not the Chair of the governing body.

## **Transparency and accountability**

- 4.7 The Remuneration Committee will produce an annual report for the governing body as described in the CUC code. Certain parts of this report will be available in the public domain (as part of the annual financial statement), including the following:
- a) a list of post holders within the remit of Remuneration Committee;
  - b) the university's policy on the remuneration for post holders within the remit of Remuneration Committee;
  - c) the choice of comparator institutions/organisations (e.g. other public sector, NHS, international HEI comparators as appropriate);
  - d) the policy on income derived from external activities;

- e) the pay multiple of the Vice-Chancellor and the median earnings of the university's whole workforce, illustrating how that multiple has changed over time and, if it is significantly above average, an explanation of why; and
- f) an explanation of any significant changes.

## 5 Policy

### 5.1 Pay Policy

In determining remuneration for senior posts holders, the following approach will be applied:

#### 5.1.1 Benchmark data sets

- **Senior Academic roles:** UCEA data will be adopted as the primary benchmark data set but with a subsequent check to compare and contrast with benchmark data from the 'competitor university' group as defined from time to time by for example UCAS (see Appendix B).
- **Senior Professional Service Roles:** Given these roles can be attracted from a broader range of institutions the HEI Korn Ferry/Hay Group will be adopted as the primary benchmark data based on organisations including Higher Education, public and not for profit (e.g. charities) organisations but excluding the private sector. A subsequent check to compare and contrast with firstly UCEA benchmarks (see below) and secondly university 'competitors' group as defined from time to time (Appendix B).

#### 5.1.2 Levels of Responsibility against Benchmark Data Set

Within the UCEA reports roles are set at pre-defined levels. The corresponding levels for roles within the remit of the Remuneration Committee will be:

- Vice-Chancellor – Level 1
- Deputy Vice-Chancellor – Level 2, 'Deputy VC'. Please note however that unlike most other universities, the Pro-Vice-Chancellors at DMU report into the Deputy VC role, thus creating an anomaly when comparing benchmarks. The potential for a responsibility allowance may therefore be considered.
- Chief Operating Officer – Level 2, 'COO'
- Chief Finance Officer, Level 3b, 'Director of a major function, Group of functions' and Level 3b 'Finance and finance related functions by income'
- Pro-Vice-Chancellors and Pro-Vice-Chancellor/Deans – Level 2, 'Pro-Vice-Chancellors'.

For Korn Ferry (Hay Group) the corresponding data would be based on job title within the benchmarks 'UK Industrial and service market, all functions.

#### 5.1.3 UCEA Comparator Groupings

Within the UCEA data sets the alternative groups that are available for benchmark comparisons are:

- All Institutions by income
- Pre-92 Institutions by income
- Post 92 Institutions by income
- Mission group (in DMU's case this would be the University Alliance)
- Region

Post 92 (new institutions) will be adopted as the appropriate comparator group, however should the need to attract or retain a key individual arise then the Remuneration Committee has the discretion to adopt the 'All Institutions' benchmark.

#### 5.1.4 Quartile Level Determination

Pay level data is gathered, analysed and segregated into lower decile, lower quartile, median, mean, upper quartile and upper decile. The level to be applied when considering the setting of basic pay will be Upper Quartile, based on the following factors:

- Strategic ambition for the organisation –namely the organisational transformation required and thus the need to attract and retain talented staff to drive those ambitions
- Financial position – currently DMU is in a strong financial position
- Market reach - the market for staff geographically is local, national and in some cases international
- Market trends – DMU is operating in a 'tight' labour market i.e. where demand for talent is high
- Market turbulence which requires talented individuals that bring innovation, entrepreneurship and similar qualities to enable the organisation to survive and indeed thrive in those markets.

In conclusion DMU will aspire to appoint senior staff at upper quartile pay levels, where appropriate. This approach ensures senior pay supports the university's ambitious Strategic Plan and enables the university to attract and retain the best talent from both within and outside the sector, where appropriate. The current financial stability of the university enables it to pitch its remuneration at this level in a tight labour market where national and indeed for some roles international candidates would be sought.

This will not immediately apply to current staff as their pay and conditions would need to be considered as part of a review of broader pay issues, however such a review may be appropriate in the future.

#### 5.2 General Remuneration Policy

- Remuneration Committee explicitly reserve the right to pay above Upper Quartile and/or use alternative benchmark groupings, in order to attract or retain a candidate/member of staff, if required.
- Total package will also be considered when determining pay levels e.g. basic pay plus cost of employer pension contribution.
- Remuneration Committee will review pay increases to the national pay spine (and as applied to staff on the senior salary review process that are not within the purview of Remuneration Committee) and consider the application of that award to senior post holders in order to maintain relativities and avoid distortions to the different pay structures.

## 6 Severance payments

- 6.1 The CUC has published guidance for decisions on severance payments (replicated at Appendix [C](#)) to support governing bodies in determining or approving severance payments to the Vice-Chancellor and staff earning a basic FTE salary of more than £100,000 per annum. While not a requirement of the CUC guidance, the Remuneration Committee also approves severance packages where the severance payment to the individual is more than £100k regardless of the salary of the individual staff member. This is reflected in the Terms of Reference for Remuneration Committee.

- 6.2 For the avoidance of doubt, severance constitutes any ex gratia element of a termination payment that is not contractual.
- 6.3 Severance packages for staff earning a basic FTE salary of more than £100,000 per annum must be reasonable, justifiable and appropriate and the guiding principles that apply to determining remuneration above apply equally to the determination of severance packages.
- 6.4 The university may propose severance packages for approval by the Remuneration Committee for senior staff within the remit of the Remuneration Committee up to but not including the Vice-Chancellor. The Remuneration Committee may propose severance packages in respect of the Vice-Chancellor for approval by the governing body. The template at [D](#) (or suitable alternative) should form the basis of the justification for the proposed severance package.
- 6.5 The Remuneration Committee should consider the following factors when determining or approving proposed severance packages:
- a) The university's standard severance policies e.g. the Redundancy Payments Policy that apply to all employees.
  - b) The individual's statutory entitlement (if any).
  - c) The contractual obligations entered into between the university and the individual for whom a severance package is being proposed, including relevant notice provisions.
  - d) Equality, diversity and inclusion considerations with a view to ensuring that there are no biases based on gender or other protected characteristics (i.e. age, disability, race) which affect payment decisions.
  - e) Any other relevant considerations as set out in the template at [Appendix D](#).
- 6.6 The starting point therefore will be the employee's statutory and contractual entitlements but in appropriate circumstances an enhanced redundancy payment, compensation for unfair dismissal and compensation for discrimination or whistleblowing may justify a higher ex gratia payment. In determining the appropriate payment, the Remuneration Committee can take into account the estimated length of a full dismissal and appeal process to help determine what is reasonable in the circumstances.
- 6.7 The Remuneration Committee may also wish to consider the outcome of the government's consultation on public sector exit payments, specifically that such payments should be capped at £95,000.
- 6.8 It is important that severance payments should not result in reward, or risk being perceived as a reward, for poor performance, failure, dishonesty or inappropriate behaviour.
- 6.9 Where necessary, and in particular where a package is being proposed that is outside the normal policy or contractual parameters applicable to the particular individual, the Remuneration Committee should have access to legal advice on any risks associated with the proposed severance arrangements.

## 7 Confidentiality clauses

- 7.1 Where the severance payment is being made under the terms of a settlement agreement, it is normal for the settlement agreement to contain provisions around confidentiality. However, this does not remove the need for accountability in how severance payments are determined. While the terms of the settlement agreement might remain confidential between the parties, the severance payment is open to external scrutiny in accordance with the university's audited

financial statements and related reports, or as a result of disclosure in response to Freedom of Information Act requests.

## **8 Equality & diversity**

- 8.1 Data on equality and diversity and the impact of changes to pay thereon are considered as part of the annual senior staff salary review process.

## **9 Data Protection**

- 9.1 The GDPR / Data Protection Act 2018 is applicable as remuneration is a confidential matter between the employer and employees, other than in regard to the requirement for the Board of Governors to publicise the remuneration of the Vice-Chancellor.

## **10 Monitoring and review**

- 10.1 The policy will be monitored by the Board of Governors.
- 10.2 The pay policy will be reviewed every 2-3 years or if significant changes occur in the market and/or the university.

# Appendix A: The Higher Education Senior Staff Remuneration Code - June 2018

## Introduction

1. Fair and appropriate remuneration is key to the success and development of the UK's HE sector, operating as it does in an intensively competitive global environment<sup>1</sup>. To support members of governing bodies, this Higher Education Senior Staff Remuneration Code (the Remuneration Code) has been developed after wide consultation with CUC members and HE stakeholders. This Code will be reviewed every four years, in consultation with the sector.
2. The different regulatory frameworks of the HE sector within the UK mean that governing bodies will need to decide how best to use the Remuneration Code. Institutions are bound by the relevant accounts direction issued by their regulator. In addition, Welsh institutions have agreed to more extensive senior pay reporting and are working towards developing annual pay policy statements. In Scotland, institutions will use the Scottish Code of Good Higher Education Governance<sup>2</sup>, which indicates how institutions should meet the key principles of good practice in remuneration. They may choose to use the Remuneration Code as an additional source of accepted good practice. In England, in assessing compliance with conditions of registration, the Office for Students (OfS) may consider the provider's information about the pay of senior staff within its audited financial statements and whether the governing body publishes its written commitment to comply with this Code.
3. By visibly adopting the Remuneration Code, governing bodies demonstrate leadership and stewardship in relation to remuneration within their institutions, and in doing so help to protect institutional reputation and provide greater assurances to key stakeholders and partners, including the student community and wider society.
4. The use of this Code is voluntary, and it can be used by all HE providers. Some elements may not be appropriate for all providers, for example, those with an owner-manager who may take a dividend from the business. The Remuneration Code is therefore to be used on an 'apply or explain' basis. This means that institutions should either publicly state that they have abided by the minimum requirements of this Code, or should provide meaningful explanations for non-compliance and how their alternative arrangements meet its principles.
5. Throughout this Code the word 'must' identifies the CUC's view of the minimum requirements for an institution wishing to comply with it. Governing bodies are free to meet 'must' statements by the means and mechanisms appropriate to their own context. The Remuneration Code is supported by a set of explanatory notes which are designed to assist governing bodies in developing their own responses. The use of the word 'should' identifies good practice which institutions are encouraged to adopt.
6. The principles outlined in this Code apply to all remuneration decisions affecting the emoluments of the Vice-Chancellor and other senior post holders as prescribed in constitutional documents or by the governing body as being within the remit of the Remuneration Committee. In England, they also apply to senior staff as defined in the OfS accounts direction.

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<sup>1</sup> The context the sector operates within is explored in greater detail at [www.universitychairs.ac.uk/wp-content/uploads/2018/06/HE-Remuneration-Code-Context.pdf](http://www.universitychairs.ac.uk/wp-content/uploads/2018/06/HE-Remuneration-Code-Context.pdf).

<sup>2</sup> [www.scottishuniversitygovernance.ac.uk](http://www.scottishuniversitygovernance.ac.uk)

# The Remuneration Code

## Elements of fair and appropriate remuneration

Fair and appropriate remuneration<sup>3</sup> requires three key elements – namely that there is:

- I. a fair, appropriate and justifiable level of remuneration;
- II. procedural fairness; and
- III. transparency and accountability.

Each of these elements are underpinned by several supporting principles.

### Element I - A fair, appropriate and justifiable level of remuneration

*Remuneration starts with a clear understanding of the responsibilities, context and expected contribution of a role and the attributes required to undertake that role effectively. Fair and appropriate remuneration then recognises an individual's contribution to their institution's success in that role, and is sufficient to recruit, retain and motivate staff of appropriate calibre in the context of the market for that role, balanced with the need to demonstrate the achievement of value for money in the use of resources.*

#### Principles

- a) Remuneration should take account of the context in which the institution operates.
- b) Remuneration must be linked to the value, based on a number of components, delivered by an individual acting within a role.
- c) Remuneration must consider matters of equality, diversity and inclusion with a view to ensuring that there are no biases pertaining to gender or other protected characteristics within the pay structure.
- d) Institutions should be clear about what they expect from staff, i.e. what is 'normal' and what is 'exceptional'. There should be a robust and consistent process for setting objectives and assessing an individual's contribution.
- e) Remuneration can vary according to individual performance.<sup>4</sup>
- f) Awards made in respect of annual bonus arrangements linked to the achievement of specific annual objectives should not be consolidated.
- g) From time to time the value of a role may need to be reviewed in light of changing conditions, sustained performance, experience etc.
- h) Non-achievement of an individual's expected contribution should have consequences.
- i) Any severance payments must be reasonable and justifiable.
- j) There should be a clear and justifiable rationale for the retention of any income generated by an individual from external bodies in a personal capacity.

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<sup>3</sup> Remuneration includes not only basic salary but also bonuses, expenses and other allowances, and the monetary value of benefits in kind including housing and cars, etc.

<sup>4</sup> The decision to apply performance-related pay is for individual HEIs to make. Nothing in this Code is intended to imply that performance-related pay is a requirement for fair and appropriate remuneration.

# The Remuneration Code

## Element II – Procedural fairness

*Procedural fairness requires remuneration to be set through a process that is based on competent people applying a consistent framework with independent decision making using appropriate evidence and assessing the value of roles, the context and individuals' performance in them.*

### Principles

- a) Senior post holder remuneration should be determined in the context of each institution's approach to rewarding all of its staff, and in particular, consideration should be given annually to the rate of increase of the average remuneration of all other staff.
- b) No individual can be involved in deciding his or her own remuneration.
- c) Remuneration Committees must be independent and competent.
- d) The head of the institution (Hol) must not be a member of the Remuneration Committee.
- e) Remuneration Committees, when considering Hol remuneration, must be chaired by a lay governor who is not Chair of the governing body.

## Element III - Transparency and accountability

*The process for setting remuneration must be transparent. For senior post holders there must be an institutional- level justification for remuneration that relates to the competitive environment, the value of the roles and institutional performance. The remuneration of the Hol must be separately justified, published and related to the remuneration of all staff within the organisation.*

### Principles

Each institution must publish a readily accessible annual statement, based on an annual report to its governing body, containing:

- a) a list of post holders within the remit of Remuneration Committee;
- b) its policy on the remuneration for post holders within the remit of Remuneration Committee;
- c) its choice of comparator institutions/organisations;
- d) its policy on income derived from external activities;
- e) the pay multiple of the Hol and the median earnings of the institution's whole workforce, illustrating how that multiple has changed over time and, if it is significantly above average, an explanation of why; and
- f) an explanation of any significant changes.

## Explanatory notes

1. Institutions will be able to apply the above principles in a way that is appropriate to their circumstances. These notes do not expand the Remuneration Code, but are intended to assist institutions' discussions as to their use of it.
2. Remuneration must be linked to the value delivered by an individual acting within a role. The value of a role is based on a number of components and criteria for assessing the value of roles, which could include:
  - complexity (scale and range of decision making, collaboration and contact, time-critical activity);
  - impact (on students, research, finances and people, including employees, partners and citizens);
  - discretion (level of accountability, degree of autonomy and decision-making authority);
  - levels of experience;
  - knowledge and skills (including specialist skills) required;
  - reputation and academic/professional credibility needed for the role;
  - an ability to recruit and retain key staff; and
  - external comparisons.
3. To retain staff, Remuneration Committees need to consider market position – typically by looking at a set of comparator institutions/organisations. The choice of these comparators will usually be linked to institutional strategy. Comparator selection may depend on the type of post being filled – for example private and public sector comparisons are often used for professional services staff, whereas NHS and international HEI comparisons may be more appropriate for certain academic staff.
4. Institutions also need to reflect on what the consequences will be in instances where individuals do not deliver the expected contribution. Consequences for individuals will depend on the nature of the remuneration package offered, but might mean no uplift of basic pay, no participation in bonus payments<sup>5</sup>, or some form of performance management.
5. For institutions that use metric-driven performance assessments, a balance should be achieved between the achievement of institutions' long and short-term objectives and, for those that use them, the impact of team-based assessments.
6. In making severance payments, institutions must meet their contractual obligations and be able to explain the reasons for any payments made. HEIs will need to carefully consider any advice that is available from regulators, together with detailed CUC advice. Remuneration Committees have specific responsibilities in this area – in particular, ensuring that contracts agreed with senior post holders are fair, reasonable and justifiable and do not expose the institution to significant potential liabilities, for example by being able to explain notice periods of more than six months.
7. It is important for institutions that staff represent them on various bodies and boards and carry out academic and civic responsibilities at other organisations, e.g. non-executive director roles. There should be a clear and published policy on any such activity that generates additional income for the individual from the external body. Hols are generally unlikely to be able to retain significant sums, but any income they do retain needs to be disclosed and explained.
8. The approach to expenses can be a sensitive topic, and generally institutions should identify normal business costs separately and adopt a single published scheme that applies to all staff. Remuneration Committees should receive assurance that the scheme is operating effectively.

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<sup>5</sup> If available

9. Remuneration Committees must be comprised of people who are independent of the institution's management – primarily lay members of the governing body<sup>6</sup>. Membership must include the institution's Chair, but not the Hol<sup>7</sup>. Remuneration Committees should be able to engage external independent expertise if required.
10. Institutions must publish the multiple of the remuneration of the Hol and the median earnings of the institution's whole workforce annually. This should be accompanied by sufficient explanation and context to enable useful comparison. They may also wish to publish other multiples, such as the ratio of Hol salary to:
  - a) the median academic salary;
  - b) the median professorial salary; and
  - c) the median professional staff salary.

To assist with consistency and comparison, the definition for the multiple should be based on the methodology used by UCEA which is available from its website. Institutions will adopt a range for their chosen pay multiples that they regard as acceptable. The diversity of the sector means these ranges will differ between institutions. Institutions that position themselves in the highest quintile will need to be prepared to provide additional explanations to stakeholders and their regulators as to why this is desirable.

11. Each year, Remuneration Committees must produce an annual remuneration report to the governing body. That report will need to provide sufficient assurance to the governing body that the Remuneration Committee has effectively discharged its responsibilities.
12. The institution must also publish a readily available remuneration annual statement. This may be within the annual report and accounts (as an Annex or separate section), or it may be published as a standalone document. Ideally, the published annual statement will be the same as the annual remuneration report to the governing body. However, modifications may be necessary to preserve commercial confidentiality.

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<sup>6</sup> They may choose to co-opt additional external members with particular expertise.

<sup>7</sup> The Hol may be invited to attend meetings but must not be present for discussions affecting him or her. Where the Remuneration Committee is responsible for all senior staff pay, including professors, it is very important that the Hol is present at meetings to discuss these staff and ensure that the Committee's decisions are well informed.

## Appendix B: Competitor Groups

### UCAS Competitor Universities:

These comprise six universities to which DMU applicants most commonly apply

- Birmingham City University
- Nottingham Trent University
- Coventry University
- University of Derby
- University of Leicester
- University of Northampton

### DMU Internal Competitor group

These comprise Institutions against which DMU compares itself based on for example: league tables, performance data is used

- Coventry university
- University of Derby
- University of Hertfordshire
- Liverpool John Moore's
- Northampton university
- Nottingham Trent university
- Oxford Brookes university
- University of Portsmouth
- Sheffield Hallam University
- University of West England

These competitor groups are subject to periodic review and change.

## Appendix C: Committee of University Chairs: Guidance on Decisions Taken about Severance Payments in HEIs

1. There is significant student and public interest in the remuneration of heads of higher education institutions (HEIs) and in the severance payments and packages received by those vacating such positions. Student interest has grown as the funding of higher education (HE) has moved increasingly from government grants to tuition fees. There is also considerable press interest in these matters, with HEIs and other charities being challenged and held to account for the levels of pay for their chief executives. This interest poses questions over the proper use of funds and assets and may impact on the reputation of individual HEIs and the HE sector as a whole.
2. In response, the CUC has published an HE Senior Staff Remuneration Code. This document sets out guidance to support governing bodies in their determination of remuneration and severance payments to heads of institutions (Hols) and staff earning over £100,000.
3. For those HEIs that are also charities, the governors (who are the trustees of the charity) must use charitable funds and assets only to further the charitable purposes of their HEI. This duty applies to trustees' stewardship of all of the charity's funds and assets – not just those that derive from public funds.
4. Appropriate severance payments require three key elements – namely that there is:
  - I. a reasonable, appropriate and justifiable amount;
  - II. procedural fairness; and
  - III. transparency and accountability.

Each of these elements are underpinned by several supporting principles.

### Element I – A reasonable, appropriate and justifiable amount

5. In making severance payments, institutions must meet their contractual obligations and be able to explain the reasons for any payments made. HEIs will need to carefully consider any advice that is available from regulators. Remuneration Committees have specific responsibilities in this area: in particular, ensuring that contracts agreed with senior post holders are fair, reasonable and justifiable and do not expose the institution to significant potential liabilities. For example, HEIs must be able to explain notice periods of more than six months.
6. Severance payments must consider matters of equality, diversity and inclusion with a view to ensuring that there are no biases based on gender, or other protected characteristics with regard to any payments made.
7. An HEI considering severance payments needs to ensure that it is being fair and equitable in its decision making about different groups of staff.
8. Enhancements to severance packages should not as a rule be provided out of public funds. For those HEIs that are charities, governing bodies must be mindful that non-public funds are assets of the charity and should therefore ensure that the use of these assets to make severance payments is in accordance with the use of charitable funds only to further the HEI's charitable purposes.
9. Governing bodies may also wish to consider the outcomes of the government's consultation on reforms to public sector exit payments.<sup>1</sup>
10. When a severance arises following poor performance on the part of an individual, payment should be proportionate, and there should be no perception that poor performance is being rewarded. Final-year salaries should not be inflated to boost pension benefits.

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<sup>1</sup> HM Treasury (2016) [Reforms to public sector exit payments: response to the consultation](#).

## **Element II – Procedural fairness**

11. Procedural fairness requires severance payments to be set through a process that is based on competent people applying a consistent framework with independent decision making using appropriate evidence. No individual can be involved in deciding his or her own severance payments.
12. The actions of those taking decisions about severance payments and those potentially in receipt of such payments should be governed by the standards of personal conduct set out by the Committee on Standards in Public Life (the seven Nolan Principles):
  - a) selflessness;
  - b) integrity;
  - c) objectivity;
  - d) accountability;
  - e) openness;
  - f) honesty; and
  - g) leadership.
13. Governing bodies must establish Remuneration Committees; these should be composed primarily of independent members of the governing body (and include the Chair of the governing body) but may co-opt external members to ensure it has the appropriate experience available. The Remuneration Committee must review any severance packages for post holders within its remit and, if needed, seek legal advice before making its recommendation to the governing body or exercising its delegated powers.
14. The Remuneration Committees, if considering Hol severance, must be chaired by a lay governor who is not Chair of the board.
15. Negotiations about severance packages and payments should be informed, on both sides, by appropriate legal advice as necessary.

## **Element III – Transparency and accountability**

16. The process for determining severance payments must be transparent.
17. The decisions about severance payments should be made in such a way as to ensure the accountability of those making the decisions as well as those in receipt of such payments.
18. Severance payments to senior staff should be disclosed in the Annual Remuneration Report to the governing body.
19. Confidentiality clauses can require both sides not to disclose the terms of the agreement or the circumstances leading up to the severance. In the private sector this is thought to be a cost-effective way of resolving disputes to the satisfaction of both sides and allowing the organisation to move on. HEIs and their outgoing staff may also need these protections, but this must be balanced by requirements for accountability and openness.
20. Therefore, compromise agreements for senior staff that include confidentiality clauses are acceptable, but they should be the exception rather than the norm. Any confidentiality clause should not prevent the wider public interest being served, and any undertakings about confidentiality should leave severance transactions open to adequate public scrutiny by the National Audit Office (NAO) and Public Accounts Committee. This means that both sides in a severance agreement should understand that any information covered by a confidentiality clause will need to be disclosed, if required, to the appropriate regulator or the NAO.

# Appendix D: Remuneration Committee Approval of Severance Arrangements for Senior Staff

## Privileged and confidential

This template may be used to seek approval for severance cases within the remit of the Remuneration Committee. Where a different format is used, the relevant information should be included as set out below so that the Remuneration Committee is able to make a properly informed decision. **The information in this form is intended to provide the university with a basis on which to negotiate severance arrangements on a without prejudice basis and is therefore subject to privilege and should be provided to the Remuneration Committee clearly marked as privileged and confidential.**

<b>Name of senior staff member:</b>	
<b>Faculty or department:</b>	
<b>Date of proposed severance:</b>	
<b>Value of proposed severance package:</b>	
<b>Background and context</b> Please provide a <b>brief</b> case history, with dates, summarising how the situation has come about. What are the individual's terms of employment (age, length of service, current salary, contractual notice period, type of contract (e.g. fixed term, part time), and any other relevant details)?	
<b>Management procedures</b> Explain what procedures have been followed; or why relevant procedures have not been followed.	
<b>Proposed ways of proceeding</b> What is the individual's statutory and contractual entitlement (if any), and why is a severance package proposed?  Is there any risk of other legal claims being brought? If so, please identify any possible claims, taking account of the employee's length of service and any protected characteristics and any concerns raised by the individual.  Other options considered?	
<b>Please confirm that any settlement agreements or undertakings about confidentiality leave severance transactions open to adequate public scrutiny, including by the Office for Students, the National Audit Office (NAO) and the Public Accounts Committee (PAC).</b>	
<b>Wider impact and potential precedents</b> Explain whether this case might have an impact on or set a precedent for other existing or future cases, both within the university or wider within the sector.	
<b>Equality and diversity considerations</b> Does the proposed payment raise any equality and diversity issues that need to be considered e.g. any possible bias on the basis of protected characteristics in the calculation of the payment?	
<b>Other useful information (including any pension implications)</b>	

***For Remuneration Committee use:***

**Approval given by:**

**Date:**

**Advice taken from:**

**Rationale for approval and any conditions:**

# Appendix E: Policy on approval to undertake and retention of payments from external activities in a personal capacity

## 1 Introduction and scope

- 1.1 The university recognises that it is often beneficial that staff members represent the university on various bodies and boards and carry out professional, academic and civic responsibilities at other organisations, e.g. non-executive director roles in a personal capacity.
- 1.2 This policy aims to guide the Vice-Chancellor and the Remuneration Committee where they are considering requests from senior staff to undertake external activities in a personal capacity. It also provides guidance on decisions on the retention of any payments or other benefits generated by the individual from such external activities.
- 1.3 This policy does not apply to income generated for the university in an official capacity as part of the senior staff member's normal position.
- 1.4 This policy does not form part of any employee's contract of employment and the university may amend it at any time.

## 2 Exclusivity of service

- 2.1 Exclusivity of service is a contractual requirement for senior staff. For example, the terms and conditions for senior staff include the following provisions (or similar):

### ***“Exclusivity of service***

*You are required to devote your attention and abilities to your duties in a way and to an extent consistent with your employment as a member of the senior executive of the university.*

*You are required to act in the best interests of the university at all times.*

*Paid external work (whether as an employee or on a self-employed basis) cannot be undertaken unless you first obtain the written approval of the Vice-Chancellor and Chief Executive, which shall not be unreasonably withheld.*

*The Vice-Chancellor and Chief Executive has the authority to require you to cease or curtail work of the type referred to in [...] above if it is considered to have become detrimental to the effective discharge of your duties or contrary to the best interests of the university.*

*You recognise that you owe your service exclusively to the university as employer, subject only to the requirement that you shall be entitled to undertake work, paid or unpaid, outside the university's employment which is reasonably incidental to that employment.*

*Work outside the university's employment shall be regarded as reasonably incidental by virtue of the fact that it is conventionally recognised as work which (singly or in combination) enhances your professional and academic standing as the holder of the present post, supports the mutual needs of education generally and higher education in particular in relation to standards of academic quality, facilitates the development of new enterprises within the university or achieves any similar objectives.*

*The Vice-Chancellor and Chief Executive for the time being of the university reserves the right to determine whether any particular work outside the university's employment is reasonably incidental for the purposes of this clause."*

### 3 Declaration and approval

- 3.1 Senior staff must seek prior approval before agreeing to undertake external activities either in a paid or an unpaid capacity to ensure that there is no conflict of interest (or a risk of the activity being perceived as a conflict of interest) in terms of the university's core business and the individual's position. See the university's **Statement of policy and procedure on conflict of interest** which is part of the Financial Regulations. The form at [Annex 1](#) can be used for this purpose.
- Vice-Chancellor – approval must be sought from the Chair of the Remuneration Committee.
  - All other senior staff – approval must be sought from the Vice-Chancellor.
- 3.2 Approval to undertake external activities (whether paid or unpaid) will normally be limited to no more than 30 days per annum. External activity in excess of this limit may exceptionally be agreed where there is a demonstrable benefit to the university.
- 3.3 Failure to seek approval in accordance with university policy and/or the contract of employment will be treated as potential gross misconduct and may lead to disciplinary action up to and including dismissal.
- 3.4 Senior staff are under an ongoing obligation to notify the Vice-Chancellor/Chair of the Remuneration Committee (as applicable) of any change in circumstances or new information arising after initial consent is given, so that the initial consent can be reviewed in the context of any new information. This is particularly important where consent was given in relation to an activity that is ongoing or recurrent, as opposed to a 'one off'. In addition, where the activity is ongoing or recurrent, the senior staff member is required to re-seek consent annually to ensure it remains appropriate in view of any changing circumstances for the individual or the university.

### 4 Retention of payments

- 4.1 The Vice-Chancellor (in respect of other senior staff) or the Remuneration Committee (in respect of the Vice-Chancellor) will determine to what extent any payments derived from that activity may be retained by the individual.
- 4.2 It is unlikely that senior staff will be able to retain significant sums, but any payments they do retain must be disclosed and explained with a clear justification.
- 4.3 Where non-cash benefits are received from such external activities, these should also be declared and the equivalent cash value used to determine whether or not it is appropriate to be retained by the individual.
- 4.4 Normally, payments derived from external activity may be retained by the individual where the following applies:
- The activity is not an expected part of their normal role for the university for which they are already remunerated.
  - The activity is entirely separate from the university's core business and is a personal endeavour undertaken in the individual's own time (e.g. at the weekend), using their own

resources<sup>1</sup>. In such cases, the individual is responsible for declaring any income to HMRC for tax and NI purposes.

4.5 The following may also justify retention of personal payments by the individual:

- The payment is a nominal amount (less than £150), or is to reflect reasonable expenses incurred in the provision of the activity e.g. travel costs, subsistence etc.
- The payment is in relation to the senior staff member acting as an external examiner at another institution or other work deemed as “reasonably incidental to their employment” and is a nominal fee in respect of the work/services provided.

4.6 In all cases, prior approval to undertake the activity must have been sought and been approved on the basis that it does not create any conflict of interest in line with the university’s **Statement of policy and procedure on conflict of interest**.

4.7 Retrospective approval for retention of payments will not normally be given.

## 5 **Transparency, accountability and disclosure**

5.1 All such determinations made under this policy will be reported to the Remuneration Committee on an annual basis.

5.2 The Remuneration Committee will notify the governing body of the university’s policy and any changes to the policy as part of its annual report to the governing body.

5.3 It should be noted that the Office for Students (OfS) Accounts Direction requires certain information concerning the remuneration of the Vice-Chancellor to be publicly disclosed as part of the university’s financial statement. This includes payments for consultancy work that are made to the individual via the university for work delivered using the university’s resources.

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<sup>1</sup> This includes staff/student resources as well as any physical resources e.g. use of computers, email and internet, post services, university-owned mobile devices or telephones, vehicles, stationery, office buildings, catering facilities etc. This is not an exhaustive list.

## **Annex 1: Authorisation to undertake external work in a personal capacity**

Name:

Position:

Description of the work/activity:

Who is the work for? (e.g. name of the external body/organisation):

Estimated time commitment to deliver the activity:

Will it be undertaken during normal working hours?:

What university resources<sup>2</sup>, if any, will be used in delivering the activity?

Is the work/engagement paid or unpaid?

Payments or other non-cash benefit expected to be derived from the activity:

Is this a one-off or ongoing requirement? (NB if the activity is ongoing or recurrent, consent will need to be sought annually to ensure it remains appropriate in view of any changing circumstances for the individual or the university.)

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For completion by the Vice-Chancellor or Chair of the Remuneration Committee as appropriate.

Approved

Not approved

Rationale for decision:

Decision on retention of payments (where applicable):

Review date (for ongoing/recurrent activities):

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<sup>2</sup> This includes staff/student resources as well as any physical resources e.g. use of computers, email and internet, post services, university-owned mobile devices or telephones, vehicles, stationery, office buildings, catering facilities etc. This is not an exhaustive list.