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**THE BOARD OF THE ARTS UNIVERSITY BOURNEMOUTH HIGHER EDUCATION CORPORATION**

**ANNUAL REMUNERATION REPORT – NOVEMBER 2018**

1. **Introduction**

1.1 The Remuneration Committee provides an annual remuneration report to the Board of Governors as part of its remit to provide assurance annually to the Board on the conditions of service and remuneration of the University’s Senior Postholders.

1.2 Senior postholders are defined as those AUB staff who are remunerated outside of the national Framework Agreement and JNCHES process. In 2017-18, these were the Principal and Vice Chancellor, the Deputy Vice Chancellor, the Chief Operating Officer, the Deans of Faculty, the University Secretary and Registrar, and the Director of Finance

1.3 The annual remuneration report complies with the requirements of the Committee of University Chairs’ (CUC) Higher Education Senior Staff Remuneration Code 2018.

1. **Remuneration Committee Terms of Reference**
   1. The Terms of Reference for AUB’s Remuneration Committee are located on the University’s intranet and website.
2. **Membership**

3.1 The current membership of the Remuneration Committee is:

* Angela Neuberger (Chair of the Remuneration Committee)
* Chris Martin (Chair of the Board of Governors)
* Mike Gibson (Vice Chair of the Board of Governors)
* Michael Clarke (Independent Governor)
* Sara Webb (Independent Governor)

1. **Meetings**
   1. The Remuneration Committee meets at least twice a year, once in the spring term and once in the summer term. Other meetings can be arranged as deemed necessary by the Chair of the Remuneration Committee.
   2. The salaries of Senior Postholders are approved at the summer term Remuneration Committee meeting. In considering any recommendation for salary increase for Senior Postholders, the Remuneration Committee will take into account the line manager reports on individual performance against objectives for the relevant review year, any changes in job responsibilities, internal equity and external benchmarking of compensation.
   3. The dates of the Remuneration Committee meetings, records of attendance and minutes are located on the University’s intranet and website.
2. **Remuneration Framework**
   1. The University’s Remuneration Framework is located on the University’s intranet and website.

**6. Guiding Principles of Remuneration at AUB**

6.1 AUB aims to attract and retain the most talented employees within our disciplines, to lead and deliver the University’s strategic plan to ensure the best outcomes for students, society and the economy. Our approach to remuneration is designed so that employees’ contributions are recognised, valued and fairly rewarded. We are committed to the principle of equal pay between women and men as well as to the equitable and fair treatment of our employees, based on capability and merit.

**7. Remuneration Approach for Senior Postholders**

7.1 AUB recognises the need for highly talented, competent, committed and motivated employees, to deliver its strategic plan. AUB must reward and recognise employees competitively, appropriately and fairly.

7.2 The University’s Remuneration Framework has the following principles:

7.2.1 Remuneration must be competitive and take account of the commercial pressures of the HE marketplace through relevant benchmarking, where required and necessary. Benchmarking against the HE sector will take into account the performance of the University within its peer group which we define as Post-92 Institutions with a turnover of £24-£70 million income;

7.2.2 Remuneration will be determined fairly and objectively with due consideration of remuneration throughout the University;

7.2.3 Remuneration will be linked to the imperatives of the Strategic Plan, including those who demonstrate enterprise initiatives and those who add strategic value to the organisation;

7.2.4 Remuneration is viewed as a total remuneration package comprising pay and non-pay benefits;

7.2.5 Remuneration decisions for Senior Postholders are approved by the University’s Remuneration Committee and will be commensurate with the individual’s role and level of performance as delivered against their individual annual objectives.

7.3 The salary and benefits of Senior Postholders are determined by taking into account the line manager reports on individual performance against objectives for the relevant review year, any changes in job responsibilities, internal equity and external benchmarking of compensation. Benchmarking information for comparable roles both within and outside the higher education sector will be considered as deemed appropriate by the Head of HR and Chair of the Remuneration Committee.

7.4 Benchmarking data from the annual UCEA Senior Salary Survey against Post-92 institutions with income £24-70million are utilised to inform the salary decisions of Senior Postholders. Other benchmarking information for comparable roles outside the higher education sector will be considered as deemed appropriate by the Head of HR and Chair of the Remuneration Committee. The information provided to the Remuneration Committee on an annual basis makes clear, for each Senior Postholder, what the current salary against benchmark is and the reasons for any difference.

**8. Remuneration Approach for other AUB Staff**

8.1 The University and Colleges Employers’ Association (UCEA) works with the sector trade unions as part of the Joint Negotiating Committee for Higher Education Staff (JNCHES) which negotiates the annual cost of living increase applicable to the salary points within the Framework Agreement.

8.2 As part of the JNCHES process the salary points for the following year are decided in the form of an annual cost of living increase. If applicable a new salary scale takes effect on 1 August each year.

8.3 In addition, for those staff aligned to the salary scale, incremental progression is available which is subject to satisfactory performance as evaluated by the line manager. Incremental progression to the top of the individual’s job grade point is applicable once a year and effective from 1 August.

8.4 The University utilises the Hay Guide Chart - Profile Method job evaluation scheme, a widely used and recognised job evaluation framework that assesses job roles against a points-based range of criteria, to ensure job descriptions are remunerated fairly and equally. This method provides an evaluated way of aligning jobs to the University’s salary scale.

**9. Pensions**

9.1 AUB has a statutory duty to enrol all staff into a pension scheme automatically. The Teachers’ Pension Scheme applies to academic staff and the Local Government Pension Scheme applies to professional services staff.

9.2 A non-consolidated cash payment, equivalent to the level of pension contribution that would otherwise be made, adjusted to ensure cost neutrality for the University, may be paid in the event that an employee has accrued the maximum level of tax-efficient pension savings. Such payment, which would be subject to tax and national insurance deductions, would be subject to the individual taking professional advice, proof of pension savings, and AUB receiving confirmation by an Independent Financial Adviser that withdrawing from the relevant pension scheme is appropriate.

**10. Pay Ratio**

10.1 AUB is required to provide two pay ratios of the Principal and Vice Chancellor’s salary against the median salary of all staff, in accordance with the Office for Students’ stipulations.

10.2 The first pay ratio is a basic salary ratio which is based on the Principal and Vice Chancellor’s salary as a ratio of the median basic salary of all staff, expressed as a full time equivalent. The second pay ratio is a total remuneration ratio which is based on the Principal and Vice Chancellor’s total remuneration as a ratio of the median total remuneration of all staff, expressed as a full time equivalent. At AUB, because there are no dividends, performance related pay, bonus payments or market supplements this ratio includes employer pension contributions and payments in lieu of pension contributions as well as private medical insurance.

10.3 The following table sets out the pay ratios:

|  |  |  |
| --- | --- | --- |
| Year | Basic Pay Ratio | Total Remuneration Ratio |
| 2017-18 | 7.01 | 7.39 |

10.4 Figures from previous years are not given, as the full data set required is not available. However, the University is able to provide the pay multiple based on the method recommended by the Universities and Colleges Employers Association (UCEA):

|  |  |
| --- | --- |
| **Year** | **Pay Multiple** |
|  |  |
| 2017-18 | 5.8 |
| 2016-17 | 5.8 |

**11. Institutional Performance 2017-18**

11.1 Institutional achievements over the past year are summarised as follows:

* Exceptional retention performance at c98%;
* Achievement of operational efficiencies, critically, improving marginal income where the institution exploits existing fixed assets and resources;
* A sound 2017-18 financial position with both surplus and cash inflows exceeding the initial budget forecast. The budget surplus this year will exceed £3.5million;
* The acquisition of the adjacent site. Successful oversight of the design and development of construction of phase 1 together with the raising of the loan to support the construction of strategically important student accommodation;
* TEF Gold and Outstanding OFSTED awards.

**12. Special Payments**

12.1 The University does not operate a performance pay scheme however its Remuneration Framework does have a provision for special payments which sometimes may be required to reflect an employee’s outstanding performance or significant additional responsibility. This would be recognised in the following ways:

12.1.1 Non-consolidated bonus. Outstanding performance may be rewarded by the award of a one off payment. Where it is used, the payment will be directly linked to outstanding performance in the achievement of strategic, financial and non-financial objectives which are linked to the achievement of the Strategic Plan, and which is outside of the normal day-today responsibilities of the individual.

12.1.2 Temporary Responsibility Allowance. A payment for additional responsibilities paid as an honorarium where the additional responsibility is being undertaken for a period of no less than three months.

12.2 The University did not award any special payments to AUB staff for the 2017-18 period as these have only recently been introduced as part of the new Remuneration Framework.

**13. Performance and remuneration of the Principal and Vice Chancellor**

13.1At the Remuneration Committee meeting held on 27 June 2018, the Chair of the Board provided a summary of the year’s achievements prepared by the Principal and Vice Chancellor. Points of particular note were:

* Exceptional retention performance at c98%.
* Achievement of operational efficiencies, critically, improving marginal income where the institution exploits existing fixed assets and resources.
* A sound 2017-18 financial position with both surplus and cash inflows exceeding the initial budget forecast. The budget surplus this year will exceed £3.5million.
* The acquisition of the adjacent site. Successful oversight of the design and development of construction of phase 1 together with the raising of the loan to support the construction of strategically important student accommodation.
* TEF Gold and Outstanding OFSTED awards.

13.2 In deciding the remuneration recommendation for the Principal and Vice Chancellor, the Committee considered:

1. Comparative data of equivalent role from the UCEA annual survey of compensation paid to senior staff, within Post 92 institutions with income of £24-£70 million.
2. Internal compensation equity to other AUB Senior Postholders.
3. Organisational and individual performance against objectives for the preceding 12 months as provided by the Chair of the Board.

13.3 Taking all factors into account, the Committee decided on a salary increase equivalent to the annual cost of living salary scale uplift, of 2%, to be paid when the 2018-19 New JNCHES negotiation process is finalised and/or universities are notified that they are able to apply the cost of living increase to salaries; backdated to 1 August 2018.

13.4 The Chair of the Board confirmed that the VC’s objectives for 2018-19 had been agreed in principle, with more detailed metrics to be added for the beginning of the academic year.

13.5 The following table sets out the remuneration of AUB’s Principal and Vice Chancellor over the past two years:

|  |  |  |
| --- | --- | --- |
| **Remuneration of the Principal and Vice Chancellor** | **2017-18** | **2016-17** |
|  |  |  |
| Salary | £191,242.78 | £188,046.00 |
| Pay in Lieu of Pension | £27,694.91 | £27,231.97 |
| *Total* | £218,937.69 | £215,277.97 |

13.6 In addition the Principal and Vice Chancellor is provided with family cover level private medical insurance at an annual cost of £5,760.00 (2017-18).

**14. AUB Staff Remunerated at £100,000 and above**

14.1 The following table shows the number of staff, per salary banding, earning the relevant salary in the reporting period:

|  |  |
| --- | --- |
| **Salary Band** | **Number of Staff** |
| £121,000 – 130,000 | 1 |

**15. External Appointments and Expenses**

15.1 Staff may represent the University on various bodies and boards and carry out academic, professional and civic responsibilities at other organisations. Where such appointments occur the University requires that the employee to follow University Policy, in the first instance obtaining authorisation from the line manager for the activity.

15.2 The University Secretary makes the Remuneration Committee aware of such payments made to Senior Postholders so these can be noted in terms of an individual’s total compensation. The Principal and Vice Chancellor did not receive any such payment in 2017-18.

15.3 All staff are required to adhere to the University’s policy[[1]](#footnote-1) in respect of the receipt of payment for expenses incurred in the course of University business.

15.4 The University’s Principal and Vice-Chancellor is not expected to retain benefits and/or payments for such activities.

1. AUB’s Travel, Subsistence and Entertaining Policy is located on the [University’s Intranet](https://intranet.aub.ac.uk/organisation/Pages/policies.aspx) [↑](#footnote-ref-1)