AdvanceHE

CUC

Committee of University Chairs

Independent review of the HE Senior Staff Remuneration Code

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Produced for the Committee of University Chairs

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Contents

1 Executive summary

The Committee of University Chairs (CUC) commissioned Advance HE during 2020 to undertake an independent review of the Higher Education Senior Staff Remuneration Code (the Remuneration Code), in order to establish if it remains fit for purpose. The Remuneration Code is voluntary and to be used on an 'apply or explain' basis. Its primary audience is Higher Education Institutions (HEIs) that are members of CUC, however it is also intended to be applicable and of value to others.

The key driver for a review earlier than 2022[1] was the recognition that since the development of the Remuneration Code in 2017 and its publication in 2018, the operating context and climate in which decisions about remuneration are made has evolved considerably. In particular, the Remuneration Code was published just as the Office for Students (OfS) – the higher education (HE) regulator in England – came into being and more is now known about its regulatory approach. Meanwhile, CUC recognises that there is increasing divergence in how the governments of the four nations of the United Kingdom are approaching governance and the matter of senior staff pay. In September 2020, CUC also issued an updated version of its overarching HE Code of Governance following extensive consultation.

Given this context, CUC wished to 'take the temperature' on the reach and impact of the Remuneration Code, in order to strengthen it further in a timely and proactive way. Advance HE was commissioned to undertake the review given its deep understanding of the higher education sector and its strong track record of supporting governance effectiveness both through its long running Governor Development Programme and evaluating practice at both provider and sector levels. The review – with input from an external reference group[2] – was conducted using a mixed methods approach of survey, interviews and desk-based research.

The Remuneration Code was prepared by the CUC in close consultation with multiple stakeholders. Key aims were to provide *'a strong basis for the sector to demonstrate its commitment to transparency'* and to ensure that decision making is effective. It *'provides universities with guidance on how to determine fair and appropriate remuneration for Vice-Chancellors and other senior university staff'*.

Its purpose is to '*help create a more transparent and open system and improve the public's understanding of and confidence in how the salaries of Vice-Chancellors are determined'.*

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[1] CUC committed to reviewing the Code in 2022 upon its publication in 2018

[2] See section 4.1

The primary lines of enquiry of this review were focussed on understanding the initial reach, utility and practical application of the Code since its publication. The secondary lines of enquiry were to gain initial insights into the impact of the Code in achieving its purpose.

This review, while not a comprehensive audit of HEIs' actual adoption and practice, found that overall:

+ there is a high degree of awareness of the Code, especially among CUC members
+ of those who responded to our survey[3] and stated they are aware of the Code, 97% use it to guide their remuneration committee activity
+ the vast majority of respondents and interviewees consider that procedure and practice at their institution has changed for the better in recent years. However, it is not possible to attribute this solely to the Remuneration Code (and primary drivers for this differ across nations)
+ there was a very high degree of agreement in our survey that the Elements of the Code are applied at their institution:
    - 95% of respondents agreed "senior pay at my institution is fair, appropriate and justifiable"
    - 98% agreed that "individuals are not involved in deciding their own remuneration"
    - While 73% of those who use the Code stated they published a "readily accessible annual statement, as modelled in the Code", the quality of statements we sampled is highly variable.

In our judgement this provides a good indication, in the absence of a full audit, that the Remuneration Code is being adopted by its intended audience and that HEIs are making efforts to strengthen their governance around senior staff pay in the interests of transparency, accountability and public confidence. There are, however, undoubtedly some areas where stakeholders considered more progress could be made. We have categorised our findings and recommendations into four key areas: strategic, regulatory, transparency (given its importance), and operational.

[3] Our survey had 109 *respondents* across the UK and from various roles. There may have been multiple responses from the same institution.

1.1 Strategic

+ Greater clarity and explicit emphasis that the consideration and award of HoI and other senior staff pay is to be made in the context of 'fair pay for all'. This was an area which stakeholders felt consistently strong about; while particular policy in the nations (Scotland and Wales) amplifies this, it was considered that general sentiment (and policy) in England has also moved on since publication. It is therefore timely that the Remuneration Code is strengthened on this matter to give further public confidence that pay is "fair, appropriate and justifiable". It is not currently explicitly referenced anywhere in the Code.
+ Linked to this point, there is also the opportunity to strengthen the position of the Remuneration Code relative to the overarching HE Code of Governance (the 'HE Code') by referencing it more explicitly. The HE Code sets out a clear set of values which HE governance "should be founded on" as well as a set of objectives which set out what "*what HE governance will need to deliver if it is to meet the challenges of sustainability, growth and change"*. There is currently no explanation or guidance around how the Remuneration Code sits in the context of these values, which is a missed opportunity. Doing so would support institutions to deliver a values-driven approach to good governance across all aspects.

1.2 Regulatory

+ In England, stakeholders felt strongly that greater alignment between the OfS reporting requirements and those in this Code should be pursued. This is because at present inconsistent definitions are used, creating confusion and additional burden particularly for the governance and HR staff supporting the remuneration committee and its work. It also contributes to inconsistency across the nations.

1.3 Transparency

+ Institutions adopting the Remuneration Code must ensure (or explain why not) that they indeed have a "readily accessible published annual statement" that covers the elements set out in model used in the Code, and CUC may wish to consider if it should be even more prescriptive about its form and location to improve visibility and accessibility. There was significant variability in the content and accessibility of the statements (or component parts) we found. This is an important part of ensuring transparent, accountable governance and a relatively 'easy fix'.
+ Related to enabling greater transparency and public confidence, most stakeholders would welcome greater consideration in the Remuneration Code to the matter of staff and student voice in remuneration. There was not yet a consistent view on how this

should be done; however, many noted that institutions in Scotland now have experience of this due to particular governance requirements there, which should be learned from.

1.4 Operational

+ Some stakeholders noted that inconsistent public staff data collection (no longer mandatory) would pose a challenge for institutions to undertake comparative analysis as advocated by the Code. It was suggested that CUC works with the Universities and Colleges Employers Association (UCEA), Universities Human Resources (UHR), Jisc, as well as the national funders and regulators, to drive for improved data collection to minimise this risk.
+ Given the routinely high turnover of governors and Chairs in the sector each year, more could be done to ensure that Chairs of Remuneration Committees are informed about the Code and have the opportunity to share practice and develop their thinking on remuneration.
+ Greater clarity given to aid the consideration of ‘value’ contributed by senior postholders, as stated in the Code (Element 1, principle b). Explanatory note two at the back of the Code sets out a number of possible components and criteria for this. Stakeholders would welcome CUC (working with partners) providing more detailed examples, questions or training/support to help with these considerations in the context of HE. This would be consistent with CUC’s plans to provide more supporting material to aid the adoption of the HE Code.
+ In its next, full review we suggest that CUC pays particular attention to whether and how the Code is implemented fully by its members that choose to adopt it with a more systematic, in depth analysis of actual practice. Given this is an ‘apply or explain’ Code, paying attention to the areas which are ‘explained’ may also provide further insight into the Code’s utility. To support this – and in the spirit of continuous improvement – we recommend institutions adopting the Code undertake a self-assessment against it and to do so regularly within the wider institutional cycle of assessing governance effectiveness.

We offer eleven recommendations based on the findings from this review. While the majority are for CUC to address, recommendations 4,5 and 11 are particularly directed towards CUC members and other institutions adopting the Code.

Fig 1: Summary of key recommendations

Area	Recommendation
Strategic	1. Strengthen the Code to aid decision-making in an explicit context of ‘fair pay for all’, learning from approaches in Scotland and Wales.
Strategic	2. Make explicit the Remuneration Code’s position and articulation in relation to the HE Code of Governance by CUC. For example, how both Codes seek to deliver a shared set of overarching values/objectives and should be operationalised in that context.
Regulatory	3. CUC to bring to the attention of, and work with, the OfS on the need for greater alignment between the OfS reporting requirements and the Code. This is to better support institutional decision-making in England, reduce burden and improve consistency across the nations.
Transparency	4. Institutions adopting the Code must ensure their “readily accessible published annual statement” is fully compliant with the Code (or fully explained why not) in order to support genuine transparency. CUC should consider what guidance it can provide to Remuneration Committee Chairs for them to assure themselves of compliance.
Transparency	5. Institutions adopting the Code should ensure it is the case and obvious (related to recommendation four) that the HoI is not a member of the Remuneration Committee nor attend/contribute to discussions regarding their own pay and reward. CUC may wish to strengthen its requirements and advice in this regard.
Transparency	6. Consider how the Code addresses staff and student voice in remuneration governance to aid transparency and public

Area	Recommendation
	confidence, learning from Scotland and working with partners such as the Association of Heads of University Administration (AHUA).
Operational	7. Work with UCEA, UHR and Jisc (as well as national funders and regulators) to encourage consistent staff data collection, enabling better reporting and comparative analysis to aid remuneration governance.
Operational	8. Develop opportunities and examples with partners for Chairs of Remuneration committees – alongside the governance and HR staff which support them – to share practice and engage in dialogue around 'how' to govern remuneration well. This includes specific focus on making assessments of the 'value' contributed by senior postholders as set out in the Code's explanatory note two.
Operational	9. Ensure that opportunities are taken to embed links and cross-references to make the Code and other related guidance more coherent and navigable.
Operational	10. Conduct a future full review with a systematic analysis of actual adoption and practice (including the 'explained' aspects of compliance) to enhance the evidence base of governance effectiveness further.
Operational	11. In support of recommendation ten and to aid continuous improvement, institutions adopting the Code should conduct a self-assessment against the Code in the near future and regularly as part of their ongoing approach to governance effectiveness.

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2 Introduction

The Committee of University Chairs (CUC) commissioned Advance HE during 2020 to undertake an independent review of its Higher Education Senior Staff Remuneration Code (the Remuneration Code), in order to establish if it remains fit for purpose.

The key driver for a review earlier than the stated commitment to do so in 2022 was the recognition that since the development of the Code in 2017 and its publication in 2018, the operating context and climate in which decisions about remuneration are made has evolved considerably. In particular, the Code was published just as the Office for Students – the higher education regulator in England – came into being and more is now known about its regulatory approach. CUC also recognises that there is increasing divergence in how the governments of the four nations of the United Kingdom are approaching the matter of senior staff pay. In September 2020, CUC issued an updated version of the overarching HE Code of Governance following extensive consultation.

Given this context, CUC wished to 'take the temperature' on the reach and impact of the Code, in order to strengthen it further in a timely and proactive way. Advance HE was commissioned to undertake the review given its deep understanding of the higher education sector and its strong track record of supporting governance effectiveness both through its long running Governor Development Programme and evaluating practice at both provider and sector levels.

The Remuneration Code was prepared by the CUC in close consultation with multiple stakeholders. A key aim was to provide *"a strong basis for the sector to demonstrate its commitment to transparency"* and to aid effective decision-making. Importantly, the code is voluntary and is adopted on an 'apply or explain basis', although it is referenced as a key feature in, and to help demonstrate compliance with, the regulatory reporting requirements issued by the higher education funding and regulatory bodies across the nations.

The Remuneration Code *"provides universities with guidance on how to determine fair and appropriate remuneration for Vice-Chancellors and other senior university staff"*. Its purpose is to "*help create a more transparent and open system and improve the public's understanding of and confidence in how the salaries of Vice-Chancellors are determined"* and to ensure effective decision making.

The code sets out three principles for vice-chancellor (VC) pay: fairness, independence and transparency:

> ***Fairness:*** *The code sets out what university remuneration committees should consider when deciding the pay of Vice-Chancellors. Factors include external comparisons, levels of experience and the complexity of the position.*
>
> ***Transparency:*** *The code also stipulates that every institution must publish an annual report in which it sets out clearly the salary of its Vice-Chancellor and the pay multiple showing how their remuneration compares with the median earnings of the institution's whole workforce. If the multiple is significantly above average – which will be published every year – it must explain why.*
>
> ***Independence:*** *The code states unequivocally that no Vice-Chancellor should be permitted to be a member of its university's remuneration committee. While they may be invited to attend meetings, they cannot be present during discussions about their own pay.*

The primary areas of focus for the review were:

+ reach – its adoption by its intended user group and beyond
+ balance – of the elements of the Code and its content
+ utility – its usefulness to the audience in guiding their work
+ practice – the extent to which practice and behaviours have changed.

The secondary areas of focus for the review (especially given the Code's relative newness) were:

+ impact – whether the Code is achieving its purpose
+ reputation – whether change has led to improved sector reputation around senior staff pay
+ insights from elsewhere – what could be learned from outside of higher education.

The review took place during the period of August – December 2020 using a mixed-method approach of provider e-survey, semi-structured interviews with key stakeholders, sampling of provider published remuneration statements, and desk-based research.

The review was conducted independently with the contribution of an external reference group comprising representatives from the AHUA, the University and College Employers Association (UCEA), the University and College Union (UCU) , Universities UK (UUK) and international regulatory experience.

3 Context

3.1 Background to the Code

The code was developed in 2018 by CUC in response to a request by their membership to provide support on how to tackle the issue of VC pay, which had received increased public attention and scrutiny. This request was made following public interest in the topic of senior staff pay in HE which included ministerial, regulator and press coverage in the topic. There were a number of specific high-profile cases making headlines and prompting public concern about the level of increase and the remuneration levels of those in senior positions at providers.

The code was established in the context of increased public and political scrutiny and media attention. It has been designed as 'principles-based', drawing on best practice and with the understanding that the HE sector is diverse and autonomous and the code's adoption is at the discretion its governing body in the institutional context. The code draws on principles of the government-sponsored "Hutton Review of Fair Pay in the Public Sector" report. The code was developed collaboratively with CUC members with particular support from registrars, the HR community and Chairs.

3.2 Senior staff pay in HE

There has been a longstanding debate, public interest and high profile cases relating to VC pay and the balance of good use of public funds and fair remuneration for the demands of the role. Some argue that senior pay is disproportionate with data from a UCU's analysis (2019) of Freedom of Information requests to 158 HEIs in 2017/18 which identified the remuneration levels of VCs. It also highlighted that the VC is a member of, or attends, the remuneration committee at 81% of UK universities that responded. Others argue that the size and complexity of higher education providers warrant remuneration representative of the challenge of the leadership role.

Although the Code has been in circulation for over two years, any measures of its impact on practice is difficult to measure in such a short time period. In 2019, OfS published for the first time an annual report detailing basic salary, performance-related pay, pension contributions and other taxable and non-taxable benefits relating to 2017/18. There has however not been a report published at the time of writing this report for 2018/19 which would pertain to the timeframe after the Code was released, and neither is there a UCU freedom of information report on VC salary for 2018/19. With limited external data, and recognising any changes in governance practice take time to implement owing to the cyclical nature of governance, it is difficult to determine yet the impact of the Code on levels of pay.

It is important to note that debate is still live between those who suggest senior pay is disproportionate and those who argue that the complexities and market position of senior roles in higher education require the current levels of remuneration. A recent review by

Boden & Rowlands (2020) suggest that the current governance arrangements enable practices allowing for salary levels to raise exponentially, whereas others point to examples of VCs taking pay cuts in recent months in response to the changing context. In the absence of recent published data since the launch of the Code to illustrate current and changing practice, the debate takes place in the context of public interest in the topic and historical data.

As set out in a document by the CUC when the code was launched in 2018, there are contextual factors in play which impact on decision making processes in determining senior staff pay. Contextual factors highlighted at launch include the value of providers in making a significant contribution to society which needed to be balanced with responsible use of the 'public purse'. Factors included the important contribution of providers to society as an employer, to the social and cultural life of communities, providing high-quality education and delivering cost-effective, world-renowned research. The statement also recognises that providers often operate in a global market for students and staff, are large and complex organisations, exist in a competitive market, and place significant demands on the leadership capabilities of the HoI.

These contextual factors highlighted by CUC at launch remain highly relevant to the topic. Although the fundamental drivers for the code, to support the setting of senior staff pay to be fair, independent and transparent remain unchanged, there are a number of shifts in the context which renders a review of the Code in the current context timely. The financial landscape in the sector has shifted significantly since 2018, with the impact of the Auger review on fees, of Brexit on international students and funding and with the economic impact of Covid-19. There was unrest in the HE sector regarding proposed changes to the USS pension scheme, highlighting differences between staff and those at the top of providers. Following the impact of the Covid-19 pandemic a number of providers have implemented voluntary redundancy schemes and have requested employees take a cut in hours or pay. The financial climate has highlighted more sharply pay differentials between staff and those at the top of institutions.

In this backdrop it is timely to take stock and review – for now – whether the code remains fit for purpose in this evolving landscape, and represents both the balance of priorities leaders are required to manage, and the perception of fairness of decisions regarding pay in this new context.

3.3 Approaches to regulation

Another important consideration for this review is the extent to which the code is adopted and is referenced alongside other recommendations and reporting requirements across the UK. England, Scotland, Wales and Northern Ireland all have reporting requirements in their accounts direction (Annex B) relating to senior pay to include total remuneration of the HoI broken down by components, a justification for the remuneration of the HoI and a comparison with the medium staff remuneration. It is important to note that there are some areas of differentiation in the regulatory contexts.

+ in Scotland, the Code of Good HE Governance, agreed by the Chairs of Scottish university governing bodies, makes comment on senior pay and the CUC Remuneration Code therefore plays a supplementary, supportive role
+ in Wales, the reporting requirements of HEFCW extend beyond the accounts direction and include the production of a Pay Policy Statement. The accounts direction in Wales specifies that providers must provide pay ratios in their reporting. Furthermore, institutions are expected to report their progress against the Governance Charter and its associated Commitment to Action, which explicitly references the Remuneration Code
+ the regulatory and funding landscape of the sector has also changed within the timeframe of the code being published with the OfS establishing itself in England
+ in Northern Ireland, providers are encouraged to adopt the code alongside the reporting requirements in the accounts direction.

3.4 Insights from elsewhere

We offer the following observations of key trends in governance developments across sectors:

+ transparency: the requirement or encouragement of publically available records, policies and procedures of governance as well as increased emphasis on clear communications to stakeholders about how governance works (including real-time flows such as streaming, the use of social media and accessible formats)
+ impact: the expectation that organisations understand and communicate their impact in order to improve understanding of them and their role, starting with a strong assessment of their intended audience and key stakeholders
+ evidence: the ability to provide clear evidence of how decisions were made to regulators and others, as well as increased focus on using good evidence to make decisions ie enables a sophisticated understanding of operations and context, is stratified, is trusted, and is ethical

+ social responsibility: including environmental. Governance that takes into account the needs of wider stakeholders and a rounded contribution to the world, rather than only financial. This may be in reference to the UN Sustainable Development Goals
+ culture: underpinning all of these are the conditions which allow effective governance to happen. Embodied by openness, honest dialogue, healthy challenge, trust, respect and the avoidance of 'groupthink' due to diverse perspectives and experiences involved in governance, including a range of stakeholders.

These are relevant to the Remuneration Code as they acknowledge the context in which such governance operates and the drivers for an increased focus on public trust and confidence in HE aligning with what we expect of other sectors.

Although not the main focus of this review, we also note practice in other sectors that are often used as comparators. Of particular interest are sectors which are required to balance the demands of the role and the leadership of complex organisations with value for public money. The Code was established by drawing on the principles of fair pay from the Hutton review of fair pay in the public sector, which apply to the setting of pay for senior roles across the public sector.

3.4.1 Public appointments and Civil service

Any salary levels set at £150,000 or above requires approval from the Chief Secretary to the Treasury. Role salary requests are submitted to cabinet office for civil service, and to the centre for public appointments. Salary requests including for a new hire or a salary increase are required to consider and make the case for the salary level against the following criteria:

+ influence and impact of role
+ the specialist nature of the role including the skills and experience required
+ labour market considerations
+ relevant supporting benchmarking data provided by Civil Service Employee Policy (CSEP).
+ the package of the previous incumbent or any obvious comparators
+ only when appropriate, biographical information.

3.4.2 NHS

NHS Very Senior Managers (VSM), including Chief executive roles, with an annual salary higher that £150,000 require approval from NHS improvements, DHSC, the Minister of State for Health and Her Majesty's Treasury (HMT). This includes VSM salaries at appointment or any individual/group VSM pay increase (outside any nationally recommended cost of living increase).

Providers encouraged to ensure:

+ pay will not exceed the median of the NHS improvements salary ranges provided for each role type without a strong and exceptional case
+ any pay increases on appointment should be limited to a maximum of 10% unless this is insufficient to raise the pay level to the lower quartile point of the relevant range
+ an element of earn-back pay will be included, ie a requirement to meet agreed performance objectives to earn back an element of base pay (normally at least 10%) placed at risk.

It is worth noting both NHS and public and civil service appointments are more prescriptive and regulated in their approach to setting senior pay. Although it is an interesting comparison to make in terms of the consideration of value for money, it is also important to recognise the difference in organisational governance between these sectors and the HE sector, as well as the relationship with regulatory bodies. This means there is often less organisational/individual autonomy and a lack of an international recruitment market. Our observation is that the HE Remuneration Code is sufficiently consistent in this context in setting out an approach to achieving fairness and transparency.

4 Approach

4.1 Structure

This review considered a number of lines of enquiry to establish the reach and use of the code since launch, and if the code and its three underlying principles remain fit for purpose in the current context.

The primary areas of focus for the review were:

+ reach – its adoption by its intended user group and beyond
+ balance – of the elements of the Code and its content
+ utility – its usefulness to the audience in guiding their work
+ practice – the extent to which practice and behaviours have changed.

The secondary areas of focus for the review (especially given the Code's relative newness) were:

- impact – whether the Code is achieving its purpose
- reputation – whether change has led to improved sector reputation around senior staff pay
- insights from elsewhere – what could be learned from outside of higher education.

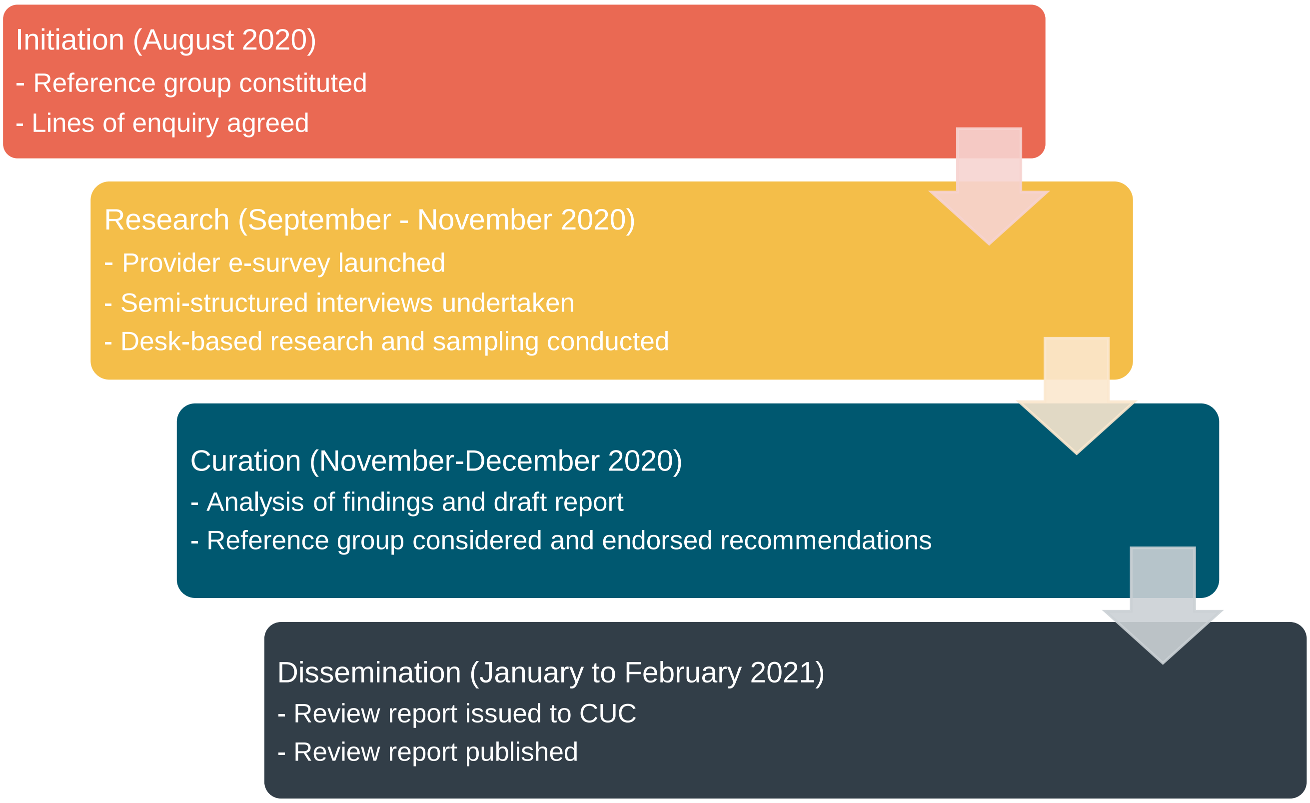
This was a mixed modes research project with input from an external reference group made up of the following key stakeholders:

- AHUA nominee – Jim McGeorge, University Secretary and Chief Operating Officer, University of Dundee
- UCEA – Roshan Israni, Deputy Chief Executive
- UCU – Paul Bridge, Head of Higher Education
- Universities UK – Chris Hale, Director of Policy
- International regulatory experience – Anthony McClaran, Vice-Chancellor of St Mary's University, Twickenham and previously, CEO TEQSA, the HE regulator in Australia.

Invited but not represented: NUS

Given this was an independent review, CUC was not represented on the group.

The work was conducted in four stages:



More detailed information about the lines of enquiry can be found in Annex A.

We conducted 11 semi-structured interviews in order to provide supplementary insights to the survey. These concentrated in the main on stakeholders identified as proxy for the 'public' in terms of establishing the Code's impact on institutional and sectoral reputation – those representing the sector from employer/employee perspectives and the four nations' respective funders/governments – as well as those tasked with delivering on remuneration governance. Interviews were held with representatives from the following organisations[4]:

- Department for Education (DfE)
- Higher Education Funding Council for Wales (HEFCW)
- Welsh Government
- Department for Economy in Northern Ireland
- Scottish Funding Council (SFC)
- UCEA
- UUK
- AHUA (x 2 nominees)
- UCU
- Universities HR

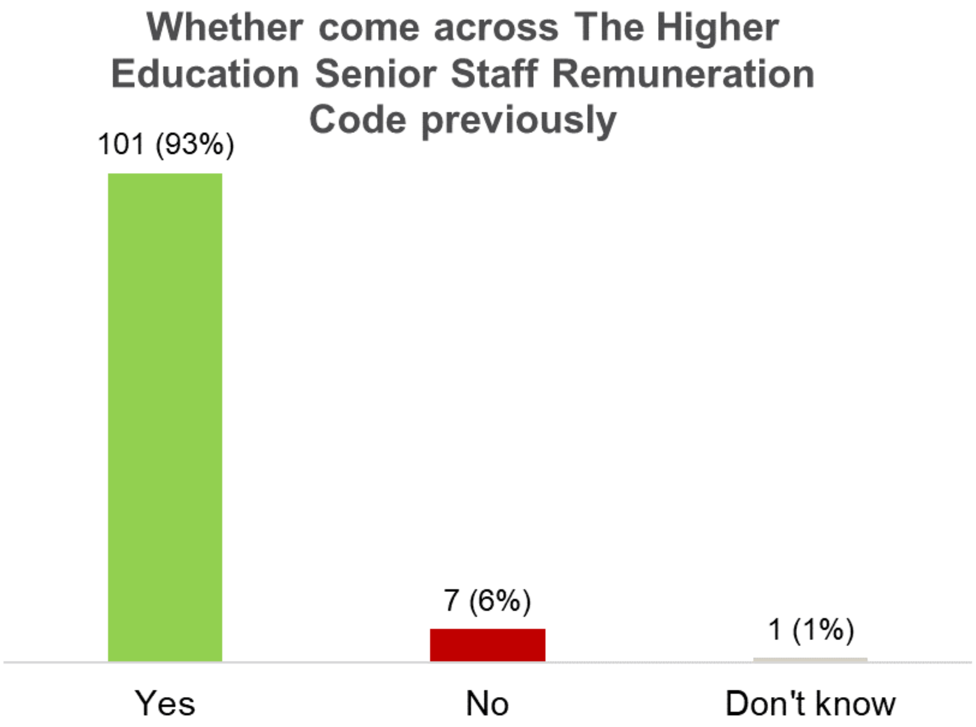
5 Findings

5.1 Reach

This review sought to understand whether the Code was adopted by those for whom it was intended. CUC is a membership organisation and participation is limited to those who fulfil its eligibility criteria. It currently has 135 members comprising mostly pre and post 1992 institutions and a small number of alternative providers. The Code was developed by CUC primarily with the needs of its membership in mind but with the intention that it could be adopted more broadly. It is adopted on an 'apply or explain' basis.

[4] The Office for Students (invited as England's HE regulator) declined to participate.

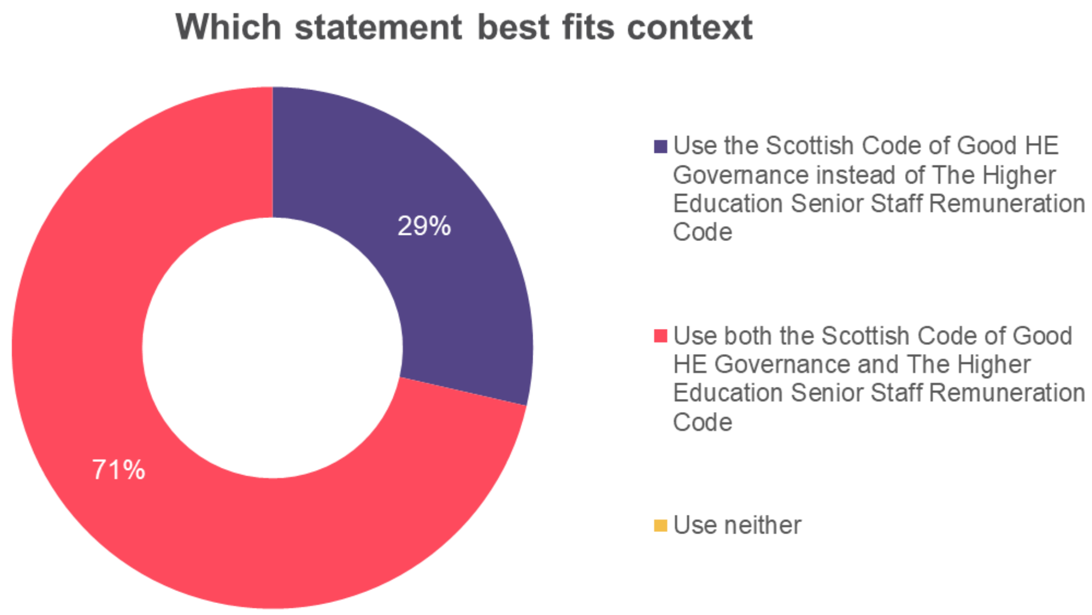
The findings from our survey (109 respondents) correlated with the feedback we had from the stakeholder interviews; awareness of the Code appears to be high, especially among CUC member institutions.



The findings show that 98% of clerks/secretaries who responded to the survey reported being aware of the Code – as one might expect – and 96% of Remuneration Committee Chairs. The figure was slightly lower for Chairs of the Board, at 84%.

The most common ways that respondents had found out about the Code was through their clerk/secretary or directly from CUC via other events and communications which might raise it. We found that 81% of the Chairs of Remuneration Committees who stated they were aware of the Code (n=25) stated the Code had featured as part of their induction to the role. This means that despite little active targeted promotion from CUC since publication, the Code is reaching its intended audience in large part due to the efficacy of the clerk/secretary community.

We had a smaller number of respondents to the survey from Scotland than anticipated (n=7), despite its promotion via AHUA and CSC/CUC. This may be due to the primacy of the Scottish Code of Good HE Governance there; while the Remuneration Code plays a subsidiary and supportive role in institutional governance (as reported in our stakeholder interviews), perhaps institutions in Scotland were therefore not minded to respond to our survey. Those that did respond stated clearly that they are aware of the Remuneration Code and most use it. Given the very small sample size we cannot make claims about the reach of the Code in Scotland beyond this indication. However, our interview with the SFC stressed the helpful complementarity of the Remuneration Code as giving further weight to the Scottish Code and they were of the view that most institutions would be taking both into account.



There are some parallels in Wales with the publication of the Universities in Wales Governance Charter and its associated Commitment to Action, upon which universities will be expected to report progress. The Commitment to Action explicitly references the CUC HE Senior Staff Remuneration Code and similar requirements to England are set out in HEFCW's accounts direction about which (and how) matters of senior staff pay should be considered and reported. While that is the case, Wales has implemented broader public sector policy around 'fair pay' (in response to the Fair Work Commission) which places greater responsibility upon institutions there than in England and therefore places the CUC Code in a different operating context. We received 10 responses to the survey from Wales. HEFCW and Welsh Government were both of the view that a dual approach – using the Code and the need to respond to broader policy requirements – secured reach of the Code's adoption, was sufficient for their context and robustly monitored. They considered this particularly important as Welsh government policy (as mentioned above) wishes to see more progress made on fair pay than the Code gives weight to, for example.

In Northern Ireland, both universities adopt the Code and are monitored against it by their sponsoring government department. There was confidence that the Code is adopted and meets needs in this context, given the ability to forge close working relationships between the department and its institutions.

Reach among non-CUC members is not possible to gauge comprehensively. We took the opportunity to encourage responses to the survey through our own membership network and that of GuildHE and Independent HE to ascertain awareness and use, yet there was only a small number of responses (n=12). However, it was encouraging to note that some non-members are using the Code, even if this could simply be because their form/constitution does not enable them to meet CUC's membership requirements but they follow all 'standard' HE guidance and regulation. CUC may wish to investigate this further in future given the increasing plurality of the HE sector if it wishes to ensure relevance to those beyond its membership who adopt the same frames of reference.

We also found that Chairs of Remuneration Committees were more likely to have received an induction regarding the Code (as befits their role) than other respondents. This is encouraging as a key way to ensure that the Code is understood by those in positions to influence its use within the institution.

5.2 Fairness and transparency – the elements in practice

Among those that adopted the Code, the review sought to explore the balance of adoption amongst three elements, and whether particular elements where given more or less weight by providers. The three elements of the Code are:

- element one: a fair, appropriate and justifiable level of remuneration
- element two: procedural fairness
- element three: transparency and accountability.

Feedback broadly indicates that the Code is viewed as useful and fit for purpose, providing a set of minimum expectations that those adopting the Code should achieve and given it is referenced by and complemented with guidance in all four nations. Results from the survey suggest 93% agreed that the code fulfils its aims to ensure the awarding of senior staff pay is fair, independent and transparent and 95% agreed the code is fit for purpose. Reasons quoted in the qualitative responses in the survey include a view that the code is clear, aids fairness and transparency in institutions.

Feedback from stakeholder interviews aligns with these results and indicates that the code strikes the right balance between being specific enough to be useful and practical whilst remaining sufficiently high level to be adapted to different provider contexts. While a small number viewed this as ambiguous, many noted its general flexibility as a positive attribute. It is also recognised that the code does not sit in isolation and that there is divergence across nations as to the complimentary regulation and codes that providers make use of in determining senior staff pay, as noted earlier.

5.2.1 Element one: a fair, appropriate and justifiable level of remuneration

Findings from the survey suggest providers adopt all three of the elements with 95% agreeing senior pay is fair, appropriate and justifiable at their institution. This review did not seek to analyse or make judgements about whether this was indeed the case, given responses were provided anonymously. Our stakeholder interviews also supported the overall view but also provided insight into areas where governance could be further strengthened to support this assessment.

Fair pay 'for all'

All stakeholders across the four nations noted that the climate around 'fair pay for all' had heightened since the creation of the Code such that it now seemed notably quiet on the matter. The Remuneration Code states that:

> *Institutions must publish the multiple of the remuneration of the HoI 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 HoI 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.*

Given the challenging climate around pensions, precarious employment and low-wage workers across all sectors, this felt to stakeholders like a missed opportunity to 'do the right thing' in HE and explain why such a consideration of fairness is necessary in today's world.

This was considered especially important given specific actions in some nations around living wages and reducing pay inequalities eg the Fair Work Commission (2019) and the requirement for Pay Policy Statements in Wales as outlined in section 5.1, but also because of the general global move towards actively addressing social justice and the recognition that it is important for institutions to live – and be seen to live – their values. It was therefore generally agreed that this is a governance matter that warrants greater explicit attention in the Code to aid public confidence that pay setting is indeed 'fair'. It may be that this makes explicit reference to existing practice, rather than requiring anything new, but sets the rationale and context much more clearly. CUC should consider and learn from the different approaches to policy and practice in the nations to reach a view about how the Code can be strengthened in this regard.

Relationship to the HE Code of Governance's values and objectives

Linked to consideration of 'fair pay for all', some noted the potential for the Remuneration Code to be situated more clearly in the context of the overarching HE Code of Governance. In relating its content to the HE Code's values and objectives which deliver good governance, the requirements of the Remuneration Code are strengthened further and it may provide added impetus for ensuring practice across all the Remuneration Code's elements.

Recommendations
Strengthen the Code to aid decision-making in an explicit context of 'fair pay for all', learning from approaches in Scotland and Wales.
Make explicit the Remuneration Code's position and articulation in relation to the HE Code of Governance by CUC, for example how both Codes seek to deliver a shared set of overarching values/objectives and should be operationalised in that context.

Understanding 'value' contributed by senior postholders

Stakeholders were also of the view that the Code should also be more explicit about how consideration of pay is made with the concept of the 'value' delivered by senior postholders in mind. While we would all agree this is a contested concept in HE, the Code does make a helpful start on this in Element 1 (b)[5] and a number of suggested components and criteria for assessing the value of roles is given in explanatory note two which sets out that:

> *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: two – one*
>
> – *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*

[5] Remuneration must be linked to the value, based on a number of components, delivered by an individual acting within a role.

- *knowledge and skills (including specialist skills) required*
- *reputation and academic/professional credibility needed for the role*
- *an ability to recruit and retain key staff*
- *external comparisons.*

We recognise that CUC needs to ensure a good degree of flexibility in how the Code can be adopted and brought to life so may not wish to be more prescriptive about what is expressly considered. However, more support is required to aid Remuneration Committees in their navigation of this area. This manifested itself in the open comments within the survey and in our discussions. In order to effect genuine consideration of these issues and develop a better shared understanding of how to go about this in HE CUC, with others, should consider how it can provide opportunities for learning and sharing of practice. This would be consistent with CUC's plans to supply more supporting materials to aid implementation of the HE Code, for example. We note the importance of this not only for Remuneration Committee Chairs and members but those who serve it including human resources staff. This would serve to strengthen confidence and send a strong signal that these matters – while difficult – are actively being addressed.

Recommendation

Develop opportunities and examples with partners for Chairs of Remuneration committees – alongside the governance and HR staff which support them – to share practice and engage in dialogue around 'how' to govern remuneration well. This includes specific focus on making assessments of the 'value' contributed by senior postholders as set out in the Code's explanatory note two.

5.2.2 Element two: procedural fairness

Findings from the survey suggested this element is also widely adopted with:

+ 95% agreeing 'Senior post holder remuneration is determined in the context of your institution's approach to rewarding all of its staff'
+ 98% agreeing that individuals are not involved in deciding their own reward and amongst those almost all agreeing strongly
+ 99% agreed that their remuneration committee is 'independent and competent'
+ 92% confirming their HoI is not a member of remuneration committee responsible for deciding pay

+ 99% agree that their committee uses a lay convenor as a Chair when deciding the HoI's pay.

This is an encouraging level of confidence. We know that VC or HoI membership of remuneration committees is a contentious issue and one which has drawn much attention. While this is not a comprehensive assessment of committee membership and practice (hence the statistics from our survey must be treated with caution) we note that in 2017/18 UCU reported that at 81% of institutions that responded to its research the VC was a member of, or attends, the remuneration committee, additionally nine still allowed the HoI to vote. It is worth noting that the institutions which allowed the HoI to vote reduced to nine providers from 66 in the previous analysis which suggests that a change in practice was already starting to take place. It is likely that more recent data analysis would show an even further decline, yet none is currently available.

There is however, an important distinction between membership and attendance. The Remuneration Code is clear in Element 2, principle d) that Heads of Institution "must not be a member of the Remuneration Committee" and principle b) "no individual can be involved in deciding his or her own remuneration". It is accepted and appropriate that the HoI attends – for invited segments only – where their input is required to determine the remuneration of other senior staff, for example where the HoI is in a management relationship and can contribute vital information about the performance and context of those staff concerned; this is an area which stakeholders suggested could usefully be clarified in the Code. We are also aware that some institutions have split the work of the Remuneration Committee into two committees, one of which the HoI may well be a member of as its terms of reference exclude matters of their own pay.

Stakeholders wholeheartedly agreed that the principle of HoI not being members of the remuneration committee which sets their pay is fundamental to fair pay, and highlighted that providers should be clearer about who are members and who attends remuneration committees to achieve greater confidence and transparency in the practices of setting pay.

Recommendation

Institutions adopting the Code should ensure it is the case and obvious (related to recommendation four) that the HoI is not a member of Remuneration Committee nor attends/contributes to discussions regarding their own pay and reward. CUC may wish to strengthen its requirements and advice in this regard.

5.2.3 Element three: Transparency and accountability

The 'readily accessible annual statement'

The Code is clear that:

> *Each institution must publish a readily accessible annual statement, based on an annual report to its governing body, containing:*
>
> - *a list of post holders within the remit of Remuneration Committee*
> - *its policy on the remuneration for post holders within the remit of Remuneration Committee*
> - *its choice of comparator institutions/organisations*
> - *its policy on income derived from external activities*
> - *the pay multiple of the HoI 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*
> - *an explanation of any significant changes.*

Explanatory note 12 goes on to say that:

> *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.*

The survey results suggest that respondents adopted this element with 93% publishing a readily accessible annual statement, as modelled in the Code, but only 74% publish a statement on their website. This however does not correspond well with the findings from the desk based research[6] which did identify that the information for the statement was published in the majority of cases but typically was rarely found in one, stand-alone document. The majority of relevant information was obtained from institutions' annual

[6] Nb the sample used for this research will not be the same group of institutions which responded to the survey.

financial statements and across multiple locations. Generally, the majority of information for each institution was 'easy' to find through the search terms used (Annex D) despite not always being presented as expected. 'Easy' was defined by requiring 10 minutes or less to identify the information as this was felt to reasonably reflect 'readily accessible' by a non-expert stakeholder.

All institutions sampled adhered to the principle that "*the pay multiple of the HoI and the median earnings of the institution's whole workforce"* be published. This information was almost exclusively published in institutions financial statements. This may reflect that this component is a requirement in the accounts direction.

There was a good level of adherence with the principle that "*a list of post holders within the remit of Remuneration Committee"* be published. This was typically located in the institution's financial statements or published on their webpage with the membership of other governing board committees. However, in some cases, the information was not found, or only the name of the chair of the committee was found. The information was only marked as found if a list of all committee members was published, and if the information was not likely to be out of date (for example, documents marked for the previous academic years).
There was also a good level of adherence with the principle that there are explanations of any significant changes in remuneration. Typically, this was provided as text beside tables outlining the HoI's pay and pay multiple. Where pay stayed the same or decreased, the information has been marked as 'found.'

While the majority of institutions mentioned benchmarking or comparison groups in setting senior staff pay in their financial statements, often this was not accompanied by a list or clear description (eg 'Russell group') that would allow the reader to identify the institutions included for comparison. The information has been marked as 'found' only if the institutions would be identifiable, and with this condition, adherence was around a quarter of institutions.
That "*Policy on income derived from external activities"* be published was another principle that had lower levels of adherence. Where information was found, it rarely related explicitly to the HoI or senior staff, for example, the information was often published with Human Resources policies. This information usually took a longer time to locate. We know that this aspect has the potential to cause concern among stakeholders.

The principle "*Policy on the remuneration for post holders within the remit of Remuneration Committee"* is not included in the tables because this information took a large portion of the search time to find (where it was available online) and the decision was made to focus on other principles. Where it was included in the search, this information was rarely found at all and was not presented alongside information relating to the other five principles. The information was occasionally included as a note in the financial statements under governing board expenses to confirm that the board did not receive payment.

We recognise this is not a full audit of those adopting the Code and that we have not sought to be guided to the information by the institution itself, who would no doubt do so. This leads us to conclude however that the *survey* results are not robust on this matter and there is more work to be done by institutions to ensure that they meet this element in full and in the spirit of 'a readily accessible annual statement'. This can be done by ensuring that all elements are in one place and are indeed, readily accessible by being easy to find, perhaps co-located with as a separate download, or linked to the specific section in financial statements, from web pages introducing the remuneration committee and its membership. To support this, CUC should consider how it can provide support and guidance to Chairs of Remuneration Committees in order that they can assure themselves that this aspect of the Code is indeed complied with, in spirit as well as letter.

Student and staff voice

A related point to transparency and accountability is that of engaging the student and staff voice in the remuneration decision-making process. This was raised by some respondents to the survey and many in interviews, with a high degree of interest in the approach taken in Scotland. While we have not explored this in depth in this review, we suggest CUC explores the learning from the approach in Scotland and considers whether the Code should be updated to reflect this, collaborating with partners such as AHUA. This would be commensurate with a general trend in governance practice across sectors to engage stakeholders more fully and transparently in governance with a view to increasing trust and confidence.

Recommendation
Institutions adopting the Code must ensure their 'readily accessible published annual statement' is fully compliant with the Code in order to support genuine transparency; CUC should consider what guidance it can provide to Remuneration Committee Chairs for them to assure themselves of compliance.
Consider how the Code addresses staff and student voice in remuneration governance to aid transparency and public confidence, learning from Scotland and working with partners such as AHUA

5.3 Regulatory alignment

Most stakeholders noted the different requirements across the four nations of the UK and that more should be done to learn from these to evolve the Code further. A table of the current arrangements can be found in Annex B.

Stakeholders and respondents in England reported that the difference in reporting requirements around pay between the Code and the requirements of the Office for Students accounts direction was unhelpful and created additional burden in the sector, including for the provision of advice by UCEA and comparable data that would aid institutional benchmarking including with reference to other sectors. The critical issue was the variation in methods for calculating VC pay ratios causing confusion amongst HR Directors and therefore potential variability in what is published.

This is caused by the current inconsistency between the OfS requirements and references in the CUC Code in paragraph 10 of the explanatory notes which states that:

> *10. Institutions must publish the multiple of the remuneration of the HoI 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 HoI 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.*

The Code recommends the UCEA methodology, which calculates total pay. It had been designed by UCEA to ensure annual replicability at sector and institutional level with no additional data collection burden on HEIs. The UCEA methodology applies an adjustment to basic pay recorded by HESA, based on the difference between basic and gross pay data for HE employees in the Annual Survey of Hours and Earnings (ASHE) produced by the Office for National Statistics. However, the UCEA methodology does not actually form part of the current OfS requirements for VC pay ratios to be calculated for basic pay and total remuneration.

Method	Calculation	Definition
OfS	Basic pay	'Basic salary' includes salary paid in lieu of pension contributions, which is received by some heads of providers depending on their personal pension and tax circumstances. Such payments are essentially additional salary but are not accounted for as such.
OfS	Total remuneration	'Other taxable benefits' comprise: company cars, subsidised loans, subsidised accommodation; and any other taxable benefit paid to the head of provider. Payments for performance related pay and other bonuses, pension contributions and payments in lieu of pension contributions are not included as they are shown separately. 'Non-taxable benefits' comprise: contributions to relocation costs; living accommodation; and any other non-taxable benefit paid to the head of provider that is not available as a benefit to all staff. 'Other' comprises payment of any other remuneration to the head of provider, including salary sacrifice arrangements.
UCEA	Total pay	Total pay includes bonuses, market supplements and responsibility allowances but excludes employer pension contributions, severance payments and any other benefits, including those in kind.

It would be helpful to determine whether all three methods of calculating the pay ratio for the HoI or VC are beneficial. Stakeholders reported substantial confusion about which of these methods should be used. This confusion could easily lead to HR Directors submitting their data incorrectly to the HESA data return, and in their financial statements, which will not aid transparency.

We also heard that another other aspect of the OfS requirement that can impact on transparency and fairness is the requirement that the VC pay is compared to the median pay for the workforce, including atypical and agency staff. The OfS views this as necessary to give a full picture of the remuneration of those delivering the provider's work. However, atypical staff and agency staff can include postgraduate students undertaking a few hours' work, like student ambassadors, hospitality and conferencing workers, external examiners, and associate lecturers. The addition of lower paid staff can lower the median workforce wage comparator, and artificially raise the ratio. At the other end of the scale more highly remunerated specialist contractors paid on a day-rate can raise the median workforce wage comparator and lower the pay ratio.

In statistical terms they are likely to be 'outliers' as they are not regular staff. As higher paid advisory or contract staff are likely to be employed on a project basis this may add to instability in the trend data as well as having a negative impact on transparency and fairness. OfS has suggested that their exclusion might create a perverse incentive for HEIs to use more outsourced staff. However, it could be argued that outsourcing is less common since the introduction of IR35 regulations came into force in April 2020 (having been announced the year before).

Given the shared aims of efficient and effective regulation and good governance in the sector, stakeholders were keen that CUC and the OfS – supported by UCEA and UHR – continue a dialogue on these matters of definitions so that clarity can be brought for those adopting the Code and subject to the OfS reporting requirements, and burden reduced.

Recommendation
CUC to bring to the attention of – and work with – the Office for Students, the need for greater alignment between the OfS reporting requirements and the Code to better support institutional decision-making in England, reduce burden and improve consistency across the nations.

5.4 Operational issues

5.4.1 The fragility of public data

Stakeholders noted that institutions using the Code will ideally refer to publicly available data and were concerned about possible limitations in the future availability of such data (especially for comparative purposes) to aid adherence to the Code. They referred to one of the key paragraphs in the CUC Code - paragraph 10 as described in section 5.3 above. This may become more difficult for institutions to comply with by using publicly available data from the Higher Education Statistics Authority (HESA). Jisc (formerly Joint Information Systems Committee) has taken over responsibility for compiling and reporting HE staff and salaries, but it is no longer essential for HEIs to report professional services staff data which may progressively lead to absence of data on professional services staff.

While it is recognised that the use of VC pay ratio data comparisons to median professional staff salary in 10. c) of the CUC Code is only a suggestion, ratios and comparisons may become more challenging to calculate using publicly available data and therefore have a perverse effect upon reporting practice. While institutions may continue to record data and calculate ratios themselves, it will be harder for other organisations to access that data if it is not in the public domain. That would make it difficult for UCEA to calculate a ratio (and some institutions rely on UCEA or prefer the UCEA independent calculation) and it would be more difficult for anyone in an institution to undertake external benchmarking without having access to individual HEI information.

The alternative would be for those HEIs that subscribe to UCEA's Senior Staff Remuneration Survey (SSRS) or the XpertHR Pay club (for staff below Professor level) to use the UCEA data. However, that may lead to differential use of the VC pay ratio to professional staff, as both of these UCEA surveys are voluntary and HEIs pay a fee to take part. The CUC may wish work with Jisc and OfS to encourage the reporting of professional services staff data via the HESA return to secure this capability for the sector in future, given its importance to consistency and remuneration governance.

Recommendation

Work with UCEA, UHR and Jisc (as well as national funders and regulators) to encourage consistent staff data collection, enabling better reporting and comparative analysis to aid remuneration governance.

5.4.2 Severance pay [references between different sets of guidance]

Although the code is clear that "any severance payments must be reasonable and justifiable", some stakeholders felt that having reference to severance both in the Code and as a separate guidance document 'Guidance on Decisions Taken about Severance Payments in HEIs' was confusing. Some would prefer to see the two documents combined, however they also recognised the merits in keeping the documents separate, particularly as they are referenced as separate documents across the sector and keeping the code concise was felt to be important.

In balancing these views, we recommend that CUC considers embedding web links and cross references within the Code and its explanatory notes to enable easier navigation of related guidance. While they are published together on the same site, documents may be shared/used in isolation from one another which means that opportunities to refer to other, helpful, sources of guidance are currently missed. It should not be assumed that all of the guidance is known about by its intended audiences.

Recommendation
Ensure that opportunities are taken to embed links and cross-references to make the Code and related guidance more coherent and navigable.

5.5 Conclusions

This independent review has identified that in broad terms the Code is fit for purpose, providing a framework as it does across the key aspects of remuneration governance that seems to be widely used by its intended audience and assisting in decision-making. The evidence we have collated shows that the Code can be strengthened still as a number of areas have increased in prominence since the Code's development, and now that it is in use some gaps and questions have emerged. It is encouraging that CUC wished to review the Code earlier than intended – within 2 years of its publication - and we welcome CUC's sustained leadership and focus on this important matter to support institutions further.

Although the stakeholder interviews, and the survey results suggest that the code has had an impact on provider behaviour, processes and procedures, it is beyond the scope of this review to draw causal links between these findings to any changes observed in senior pay. Due to the reporting cycle of institutions, and the available sources of information, there are limited sources of data to draw on to indicate any trends in senior pay since the code's launch in 2018. Data on senior pay is reported to the regulators, however the available data on this is limited. OfS has not published data since 2017/18 year which would correspond to salary levels prior to the code. UCU similarly request data on salary levels and the details of the remuneration committees in their report on vice chancellor salaries, however they also do not have data for beyond 2017/18. To understand trends in senior pay over time more data over a longer period would be required. Additionally, the external political, societal and regulatory landscape has also changed since 2018 which bear relevance on senior pay and confounds any potential measures of impact of the Code.

Stakeholders highlighted the following points as of being particularly relevant to the debate and which may have had impact alongside the Code:

+ public interest and debate associated with pay differentials between the highest and lowest paid staff at providers
+ the discussion associated with the 'casualization' of staff contracts including zero hour contracts
+ the debate and unionised protests associated with USS pensions and differing positions on the matter amongst staff and leadership
+ the differing roles of regulators, and the differing levels of scrutiny across England, Scotland, Wales and Northern Ireland

+ different levels of political interest and engagement in the topic by ministers
+ the increased financial challenges providers are faced with including the impact of the Auger review, Brexit and Covid-19 and subsequent measures by some providers such as redundancy schemes, the use of the furlough scheme and staff salary freezes or pay cuts
+ the student voice and interest in the topic, particularly in relation to the concept of student value and value for money
+ public perception of the higher education sector.

As we have suggested earlier in this report, transparency is vital to accountability and confidence, and it is a central tenet of the Code with particular requirements. We are of the view that further gains can be made in confidence and reputation with fuller, clearer adherence to those aspects by institutions and enhancements by CUC.

We are also of the view that, given the Code is adopted on an ‘apply or explain’ basis, that particular attention could be paid to those aspects which institutions ‘explain’ as indicating areas requiring further elaboration or clarification in the Code. We recognise this may not always be the case; the Code is designed to enable providers to adopt it in their own context.

We suggest that CUC conducts a fuller, systematic review of actual adoption and practice in future in order to generate more unequivocal evidence about self-governance on the matter of remuneration. To support this, and in the spirit of continuous improvement in effective governance, we invite institutions to undertake a full self-assessment against the Code.

Recommendations
Conduct a future full review with a systematic analysis of actual adoption and practice (including the ‘explained’ aspects of compliance) to enhance the evidence base of governance effectiveness further.
In support of recommendation ten and to aid continuous improvement, institutions adopting the Code should conduct a self-assessment against the Code in the near future and regularly as part of the governance effectiveness review cycle.

6 Summary of recommendations

Our findings suggest that eleven recommendations should be taken forward by CUC, working with institutions and partner organisations. We address recommendations four, five and eleven directly to institutions adopting the Code, with CUC support. These can be summarised as follows:

Area	Recommendation
Strategic	1. Strengthen the Code to aid decision-making in an explicit context of 'fair pay for all', learning from approaches in Scotland and Wales.
Strategic	2. Make explicit the Remuneration Code's position and articulation in relation to the HE Code of Governance by CUC, for example how both Codes seek to deliver a shared set of overarching values/objectives and should be operationalised in that context.
Regulatory	3. CUC to bring to the attention of, and work with, the OfS, the need for greater alignment between the OfS reporting requirements and the Code to better support institutional decision-making in England, reduce burden and improve consistency across the nations.
Transparency	4. Institutions adopting the Code must ensure their 'readily accessible published annual statement' is fully compliant with the Code in order to support genuine transparency; CUC should consider what guidance it can provide to Remuneration Committee Chairs for them to assure themselves of compliance.
Transparency	5. Institutions adopting the Code should ensure it is the case and obvious (related to recommendation four that the HoI is not a member of Remuneration Committee nor attend/contribute to discussions

Area	Recommendation
	regarding their own pay and reward. CUC may wish to strengthen its requirements and advice in this regard.
Transparency	6. Consider how the Code addresses staff and student voice in remuneration governance to aid transparency and public confidence, learning from Scotland and working with partners such as AHUA.
Operational	7. Work with UCEA, UHR and Jisc (as well as national funders and regulators) to encourage consistent staff data collection, enabling better reporting and comparative analysis to aid remuneration governance.
Operational	8. Develop opportunities and examples with partners for Chairs of Remuneration committees – alongside the governance and HR staff which support them – to share practice and engage in dialogue around 'how' to govern remuneration well. This includes specific focus on making assessments of the 'value' contributed by senior postholders as set out in the Code's explanatory note two.
Operational	9. Ensure that opportunities are taken to embed links and cross-references to make the Code and other related guidance more coherent and navigable.
Operational	10. Conduct a future full review with a systematic analysis of actual adoption and practice (including the 'explained' aspects of compliance) to enhance the evidence base of governance effectiveness further.
Operational	11. In support of recommendation ten and to aid continuous improvement, institutions adopting the Code should conduct a self-assessment against the Code in the near future and regularly as part of the governance effectiveness review cycle.

7 Appendices

7.1 Annex A: Lines of enquiry

We agreed a number of lines of enquiry with CUC and endorsed by the Reference group, as follows:

7.1.1 Primary focus

Reach

+ Has the Remuneration Code been adopted by those for whom it was intended?
+ Is there any evidence to indicate differential levels of adoption with regard to institutional type/governance structures?

Balance

+ Where it has been adopted are all the elements given equal weight? Are certain aspects given greater or less attention?
+ Do stakeholders consider that the three principles were and remain appropriate?

Utility

+ Where used, are the detailed guidelines and advice within the Remuneration Code perceived to be useful, relevant and applicable?
+ Are there any aspects on which the Remuneration Code is silent where further guidance would be especially welcome?
+ Are other sources of guidance used in conjunction with the Remuneration Code and if so what are they?

Practice

+ How if at all have the work, membership, processes and Remuneration Committees and the practice and policy of VC/senior staff remuneration changed since the Remuneration Code was published?
+ If there have been changes, what form have they taken and which are the most significant?

7.1.2 Secondary focus

Impact

- What impact have these changes actually made? Are any measurable eg average starting salaries for new VCs and (in terms of causality) can any such changes or trends be traced to the publication of the Remuneration Code?
- If changes have occurred to what extent is the publication of the Remuneration Code viewed as a factor, and what (if any) other factors are cited?

Reputation

- Has the sector's reputation with key stakeholders on the matter of senior staff pay evolved since the Remuneration Code was published?
- If the sector's reputation had changed with key stakeholders what role did the Remuneration Code serve and what other factors have had a bearing?

Insights from elsewhere

- Are there any events, factors or developments since the Remuneration Code was published that mandate it being updated, and if so why?
- Are there any learnings to be taken from guidance and advice more recently issued by other sectors and HE sectors internationally that might usefully inform UK HE sector senior staff remuneration policy and practice?

It was noted and agreed with CUC that there was limited scope to be able to address the aspects of impact and reputation fully for the following reasons:

- the Code has only been in circulation for two years, probably only used once fully in the remuneration governance cycle
- CUC has not been regularly or actively promoting the Code since publication nor offers induction or support for Remuneration Committee Chairs – key actors in ensuring the Code is applied
- the public and students are key stakeholders in the debate about value for money in higher education. We did not have scope within this review to conduct any research around their perceptions on senior staff remuneration in this context, which would require a substantial and careful piece of work
- there is limited statistical data available to Advance HE about senior staff remuneration that can be used in a meaningful way for this purpose
- 'key stakeholders' for the purpose of this review – in light of the above – were agreed as governments, funders and regulators as well as UCEA, UCU and UHR.

7.2 Annex B: Accounts direction comparisons

The accounts directions across the nations have similar requirements, with some subtle but notable differences including:

+ England, Scotland and Northern Ireland require disclosure of the relationship between the Head of Provider’s remuneration and that of employees expressed as a multiple, whereas Wales specify this should be presented as a ratio of both basic and total remuneration
+ Scotland requires providers to detail the operations of the remuneration committee and the policy used for adopting salaries, whereas England, Wales and Northern Ireland include justification for the remuneration committee.

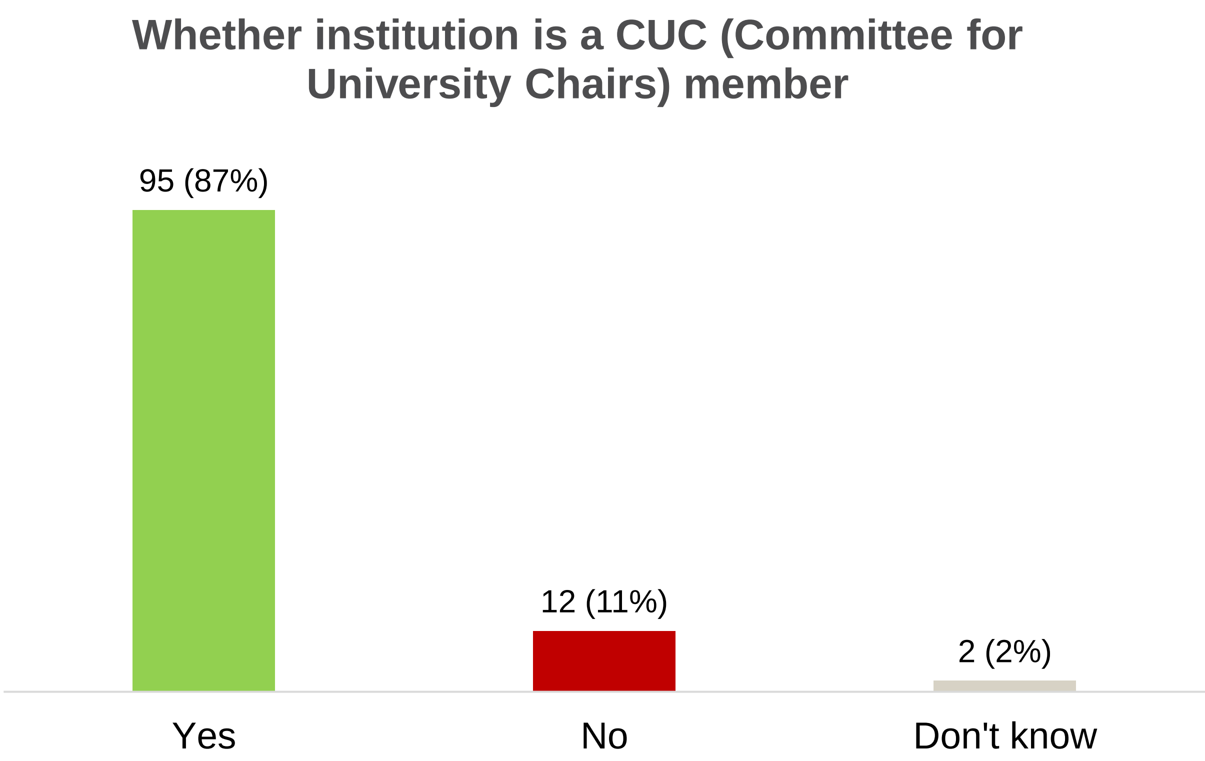
	England	Scotland	Wales	Northern Ireland
Remuneration levels	Full details of the total remuneration package for the head of provider based on the amount paid by the provider.	The actual total remuneration of the HoI which must disclose separately salary, bonus, employer pension contribution and taxable and non-taxable benefits in kind.	The actual total remuneration of the HoI.	Total remuneration for the HoI broken down to components.
Relationship to staff	The relationship between the head of provider's remuneration and that for all other employees employed in the reporting year, expressed as a pay multiple.	Institutions should also disclose the relationship between the Principal's remuneration and that of all other employees, expressed as a multiple of the median pay across all staff.	The basic and total remuneration of the HoI expressed as a ratio of basic and total full time equivalent staff salaries.	The relationship between the HoI's remuneration and that for all other employees (academic and non-academic) employed in the reporting year, expressed as a pay multiple. It should compare both basic salary and total salary.
Justification	A justification for the total remuneration package for the head of the provider.	To ensure greater transparency over decisions on remuneration, institutions are required to outline within their annual report details of the operation of the remuneration committee and the policy adopted for senior pay, including that of the Principal.	Justification of the remuneration of the HoI;	Justification for the remuneration package for the HoI referencing the context in which the institution operates and linked to the value and performance delivered by the HoI. It should explain the processes and oversight arrangements involved in making remuneration decisions and should also contain an explanation of the process adopted for judging their performance.

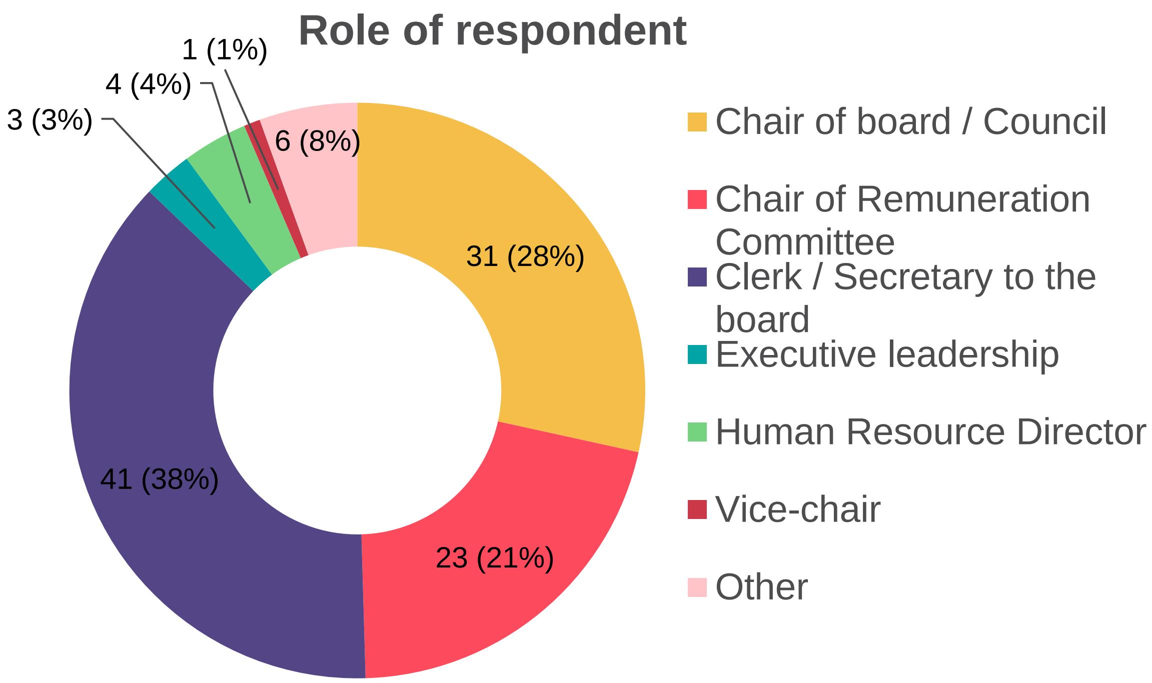
Reporting senior pay	The number of staff with a full-time equivalent basic salary of over £100,000 per annum, broken down into bands of £5,000.	The total number of higher paid staff, including senior post-holders, in bands of £10,000, above a threshold of total emoluments (excluding pension contributions and compensation for loss of office) of £100,000.	The remuneration of higher paid staff in bands of £5,000 from a starting point of £100,000.	Number of staff with a basic salary greater than £100,000 per annum (broken down into bands of £5,000).
Compensation	The total amount of any compensation for loss of office paid across the whole provider (irrespective of the basic salary of an individual).	The aggregate amount of any compensation for loss of office payable to the HoI.	Details of any compensation paid or payable to the HoI and to staff whose annual remuneration exceeds £100,000, or a statement confirming that no compensation was payable to staff at this level in the year.	Amount of compensation for loss of office paid to the head of the institution.

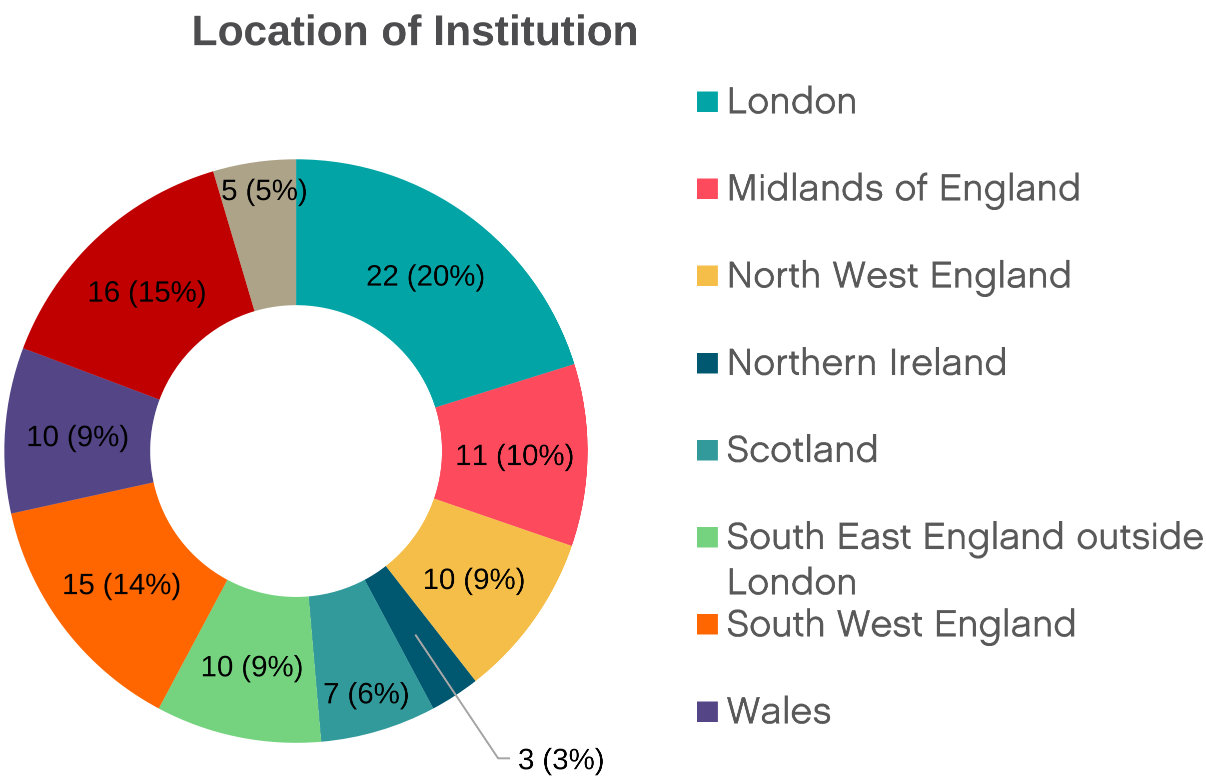
7.3 Annex C: The survey

We did not undertake a comprehensive audit of CUC members' adoption and use of the Code in order to minimise burden during the Covid-19 period and noting the Code's relative newness. Instead, our survey was promoted to all CUC members via its distributions lists, as well as our own to all of our UK member higher education institutions (a wider group than CUC). Additional promotion was made by AHUA, GuildHE, Independent HE and via the Jiscmail Governance forum.

The survey gathered views from 109 respondents. The majority were CUC members, clerks or secretaries to the Board and from English institutions.




Role of respondent
1 (1%)
4 (4%)
3 (3%)
6 (8%)
31 (28%)
41 (38%)
23 (21%)
Chair of board / Council
Chair of Remuneration Committee
Clerk / Secretary to the board
Executive leadership
Human Resource Director
Vice-chair
Other


Location of Institution
5 (5%)
22 (20%)
16 (15%)
10 (9%)
11 (10%)
15 (14%)
10 (9%)
10 (9%)
7 (6%)
3 (3%)
London
Midlands of England
North West England
Northern Ireland
Scotland
South East England outside London
South West England
Wales

7.4 Annex D: Desk-based sampling

A stratified random sample of HE institutions was generated using HESA data and STATA software. Stratification levels included country of institution and CUC membership status. It was specified that, of those institutions that were CUC members, 25 were in England (excluding London) (60.1%), eight were in London (19.5%), four were in Scotland (9.8%), three were in Wales (7.3%) and one was in Northern Ireland (0.2%). These proportions reflected the spread of all UK HEIs across nations. A further four institutions were included that were not CUC members as a comparison group. The number of institution included in the review depended on the time taken to locate the relevant information. For this reason, the final sample used in the review included 29 institutions from England rather than 33 (priority was given to inclusion of institutions from other nations with fewer overall numbers).

Once the random sample of institutions was selected, a search was conducted to assess institutions adherence to Element three of the higher education senior staff remuneration code relating to transparency and accountability. Specifically, that:

> *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 HoI 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.*

Given the specification that documents must be readily accessible, a limit of 10 minutes' search time was allocated to each institution.

A search engine was used to retrieve information, with the following search terms:

- "University name" + remuneration code
- "University name" + remuneration committee
- "University name" + financial statement
- "University name" + annual report
- "University name" + board pay
- "University name" + governing board pay
- "University name" + polic*y* income from external activities
- "University name" + polic*y* consultancy.

The following search terms were used within document and webpages to identify the relevant information.

"Remuneration committee"; "Remuneration"; "Vice chancellor"; "Vice-chancellor"; "Principle"; "Median"; "Multiple"; "Benchmark"; "Compara-"; "Pay"; "Paid"; "Voluntary"; "External"; "Consultancy".

Information gathered from the desk-based research was entered into an excel sheet, with each of the code principles listed as column headings. Information was marked as 'yes' if the information was found, 'no' if the information was not found, and 'N/A' the principle did not apply to the institution. Notes were included were appropriate (eg if information was partially found).

Ease of locating relevant information was included as an additional column. Where information was easily found using one or two sources, this was marked as 'easy.' If more sources were used, and time taken, this was marked as 'medium.' If the information was particularly difficult to access, eg only available to staff with a login, or taken from scanned documents, this was marked as 'difficult' (this category was rarely used).

Table one presents results for all institutions, CUC members, and non-CUC members, and table two presents results for CUC members in each of the four nations. The numbers and proportions of institutions for which information related to each principle was found are outlined, along with ease of finding relevant information. In many instances, the information of interest may be publically available but coded as 'not available' because it was not found using the search terms in the specified allocated time.

Table 1: Number and proportion of institutions for which information related to each principle was found, for all institutions, CUC members, and non-CUC members.

Principle	All		CUC		non-CUC	
	N	%	N	%	N	%
List of all remuneration committee post holders	33	80.5	31	83.8	2	50.0
Comparator information given and identifiable	10	24.4	9	24.3	1	25.0
Policy on income derived from external activities	16	39.0	16	43.2	0	0.0
Pay multiple of the HoI and the median earnings of the institution's whole workforce	41	100.0	37	100.0	4	100.0
An explanation of any significant changes	34	82.9	31	83.8	3	75.0
Easy to find information	32	78.0	30	81.1	2	50.0
N	41	100.0	37	100.0	4	100.0

8 Acknowledgements

We would like to thank all respondents and interviewees who contributed to this review as well as the members of the reference group for their constructive input from a wide range of perspectives.

9 About the authors

Victoria Holbrook, Assistant Director, Governance, Advance HE

Victoria joined Advance HE in February 2019 from the Office for Students and after 11 years at its predecessor the Higher Education Funding Council for England (HEFCE). As Assistant Director, Governance she leads the development and delivery of Advance HE's approach and work to support good governance to ensure it meets the needs of its members and clients in their rapidly evolving operating environments. In doing so, she brings expertise in higher education policy and regulation from her time at HEFCE and the OfS, as well as perspectives from serving on the Boards of a Multi-Academy Trust (2014-19) and Plymouth Marjon University (2019-). Victoria conducts governance effectiveness reviews and speaks at national conferences and events on governance and leadership. She has a keen interest in global developments in governance practice across the public, charity and corporate sectors including action to achieve board diversity and inclusive leadership.

Jenny Tester, Head of Business Development, Advance HE

Jenny joined Advance HE in 2018, initially as an Associate on the Board diversification project. She is currently Head of Business Development managing new product development for consultancy and bespoke services. She also is responsible for project management of Governance activities at Advance HE including ongoing management and promotion of the Board Vacancies portal on CUC's website and managing the design and delivery of a bespoke programme for aspiring governors. Prior to her current role Jenny led the HEFCE, HEFCW and the Department for the Economy in Northern Ireland funded board diversification project. The project was designed to support greater diversity within higher education boards and those applying for board roles, whether in higher education or outside of the sector. The project brings together a series of related, practical initiatives to support the sector to increase diversity within higher education boards. Jenny was previously Senior Consultant at the higher education executive search firm leading the appointment processes of senior staff across a range of higher education providers internationally.

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