

**Guidance for Remuneration
Committee:
University Leadership
Board members'
Remuneration and
Severance Arrangements**

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1 Introduction and purpose

- 1.1 De Montfort University recognises the importance of University Leadership Board (ULB) members' remuneration being transparent and fair. Senior pay is coming under increasing levels of scrutiny both locally and nationally. The university abides by the [Committee of University Chairs](#) (CUC) Higher Education Senior Staff Remuneration Code as updated in 2021 and which sets out certain elements for ensuring fair and appropriate remuneration including expectations around procedural fairness and transparency and accountability. In addition, the Government's Equalities Office has provided guidance to reduce the gender pay gap and improve gender equality in organisations. In determining ULB members' remuneration, De Montfort University will consider transparency and fairness and value for money, along with the need to be competitive in order to attract and retain the calibre of staff needed to deliver the university's strategic plan. This guide has also been written to comply with the Association of Chief Executives of Voluntary Organisations (ACEVO) guide: *The Good Pay Guide for Charities and Social Enterprises* (December 2013).
- 1.2 As a public institution responsible for considerable sums of public money and resources, it is essential that public confidence in the university's affairs is not undermined and that the highest standards of transparency, accountability and probity are upheld. The university has a duty to use public funds for proper purposes and to achieve value for money across teaching, research and other activities in the interest of students. De Montfort University is an exempt charity and can only use charitable funds and assets to further the charitable purpose of the institution. Therefore, this guidance has been developed to support the Remuneration Committee in ensuring scrutiny and effective governance of pay and reward or severance packages for ULB members.
- 1.3 To comply with the requirements of both the CUC code and the Office for Students (OfS) Accounts Direction, the university will publicly disclose a range of data and information concerning remuneration / severance pay for the Vice-Chancellor and other ULB members. Therefore, the approach the university takes to senior remuneration and severance will have a significant bearing on the university's reputation within and outside of the sector as well as among its own staff and students.

2 Scope

- 2.1 This policy statement relates to the principles guiding remuneration for senior post holders at De Montfort University who fall under the remit of the Remuneration Committee. The post holders are:
 - The Vice-Chancellor (VC)
 - University Leadership Board members
 - Severance packages for staff earning a basic FTE salary of more than £100,000 per annum or where the termination payment is more than £100,000 (see section 6).
 - Any other staff who the governing body has deemed to be within the remit of the Remuneration Committee.

In addition, information regarding other senior staff paid more than £100,000 per annum would be presented to Remuneration Committee, on an annual basis, for information only.

3 Roles and responsibilities

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

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

4 Guiding principles

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

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

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

Fair, appropriate and justifiable

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

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

- Development of new partnerships of significant benefit to the university or its students (including international);
- Major initiatives or projects supported or delivered including in the field of teaching, management, administration or leadership.

- 4.4 The Remuneration Committee must consider appropriate remuneration in cases where an individual within their remit is not delivering the required level of contribution or outcomes for the university and the reasons for any under-performance. For example, consideration should be given to any personal circumstances that might have impacted on the individual's ability to deliver in the review period (e.g. long term or substantial sickness absence, disability, time off for maternity or parental-type absences) to ensure there is no unfair bias in the process. Similarly, there may be other factors outside of the individual's control that may have contributed to under-performance.
- 4.5 Subject to 4.4, it is important that remuneration fairly reflects under-performance and, subject to any contractual requirements, this may mean there is no uplift to basic pay. In some cases it may lead to the commencement of informal or formal performance management processes.
- 4.6 Inflationary uplifts should, if applied, be for all ULB members across the board as it is not linked to individual performance, but in some cases, the full % may not be evenly applied, where salaries have begun to creep above the Upper Quartile range (see paragraph 5.1.4 and 5.2).

Procedural fairness

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

Transparency and accountability

- 4.8 The Remuneration Committee will produce an annual report for the governing body as described in the CUC code. Certain parts of this report will be available in the public domain (as part of the annual financial statement), including the following:
- a) a list of post holders within the remit of Remuneration Committee;
 - b) the university's policy on the remuneration for post holders within the remit of Remuneration Committee;
 - c) the choice of comparator institutions/organisations (e.g. other public sector, NHS, international HEI comparators as appropriate);
 - d) the policy on income derived from external activities;
 - e) the pay multiple of the Vice-Chancellor and the median earnings of the university's whole workforce, illustrating how that multiple has changed over time and, if it is significantly above average, an explanation of why; and
 - f) an explanation of any significant changes.

5 Policy

5.1 Pay Policy

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

5.1.1 Benchmark data sets

UCEA data will be adopted as the primary benchmark data set for all posts, academic and non-academic, with a secondary check against Korn Ferry, and with a further check to compare and contrast with benchmark data from the 'competitor university' group, where appropriate as defined from time to time by for example UCAS (see [Appendix A](#)).

5.1.2 Levels of Responsibility against Benchmark Data Set

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

- Vice-Chancellor – Level 1
- Deputy Vice-Chancellor – Level 2, 'Deputy Vice-Chancellor'
- Pro Vice-Chancellor Research and Business Innovation and Pro Vice-Chancellor Education and Equalities, Pro Vice-Chancellor International Level 2, 'Pro Vice-Chancellors'
- Pro Vice-Chancellor/Deans – Hybrid – median point between quartiles of Level 3A 'Academic level: Head/Director of a major academic area' and Level 2, 'Pro-Vice-Chancellors'
- Academic Registrar/Clerk to Board of Governors – Level 2, 'Registrar/Secretary'
- Chief Transformation Officer – Hybrid – median point between quartiles of Level 3B 'Director of a major function: job function by income (IT)' and Level 2, 'Chief Operating Officer'
- Executive Directors of People Services, MarComms, Finance and Procurement and Strategic Planning Services - Level 3B, 'Director of a major function': job function by income

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

5.1.3 UCEA Comparator Groupings

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

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

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

5.1.4 Quartile Level Determination

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

- Strategic ambition for the organisation
- Financial position
- Market reach
- Market trends
- Market turbulence

In conclusion DMU will appoint ULB members between the range of lower and upper quartile pay levels taking into account the above factors, together with individual experience and expertise.

5.2 General Remuneration Policy

- Remuneration Committee explicitly reserve the right to pay above Upper Quartile and/or use alternative benchmark groupings, in order to attract or retain a candidate/member of staff, if required.
- Total package will also be considered when determining pay levels e.g. basic pay plus cost of employer pension contribution.
- Remuneration Committee will review pay increases to the national pay spine (and as applied to staff on the senior salary review process that are not within the purview of Remuneration Committee) and may apply the inflationary uplift to all ULB members in order to maintain relativities and avoid distortions to the different pay structures.
- The upper decile of the relevant UCEA benchmark will be applied to determine any outliers' salaries and if applicable these salaries will be 'red circled' (i.e. frozen) until such time as the UCEA upper decile salary equals or exceeds the current salary level.
- For appointments to University Leadership Board posts, the VC, supported by the Executive Director of People Services, has delegated authority to determine salary levels upon commencement, providing this decision is in line with the established pay policy, and which will thereafter be noted by the Remuneration Committee. Any pay proposal outside of the agreed pay policy must be agreed by the Remuneration Committee.

6 Severance payments

- 6.1 The CUC has published guidance for decisions on severance payments ([guidance](#)) to support governing bodies in determining or approving severance payments to the Vice-Chancellor and staff earning a basic FTE salary of more than £100,000 per annum. While not a requirement of the CUC guidance, the Remuneration Committee also approves severance packages where the severance payment to the individual is more than £100k regardless of the salary of the individual staff member. This is reflected in the Terms of Reference for Remuneration Committee.
- 6.2 For the avoidance of doubt, severance constitutes any ex gratia element of a termination payment that is not contractual.
- 6.3 Severance packages for staff earning a basic FTE salary of more than £100,000 per annum must be reasonable, justifiable and appropriate and the guiding principles that apply to determining remuneration above apply equally to the determination of severance packages.
- 6.4 The university may propose severance packages for approval by the Remuneration Committee for ULB members within the remit of the Remuneration Committee up to but not including the Vice-Chancellor. The Remuneration Committee may propose severance packages in respect of the Vice-Chancellor for approval by the governing body. The template at [Appendix B](#) (or suitable alternative) should form the basis of the justification for the proposed severance package.
- 6.5 The Remuneration Committee should consider the following factors when determining or approving proposed severance packages:
 - a) The university's standard severance policies e.g. the Redundancy Payments Policy that apply to all employees.
 - b) The individual's statutory entitlement (if any).
 - c) The contractual obligations entered into between the university and the individual for whom a severance package is being proposed, including relevant notice provisions.
 - d) Equality, diversity and inclusion considerations with a view to ensuring that there are no biases based on gender or other protected characteristics (i.e. age, disability, race) which affect payment decisions.
 - e) Any other relevant considerations as set out in the template at [Appendix B](#).
- 6.6 The starting point therefore will be the employee's statutory and contractual entitlements but in appropriate circumstances an enhanced redundancy payment, compensation for unfair dismissal and compensation for discrimination or whistleblowing may justify a higher ex gratia payment. In determining the appropriate payment, the Remuneration Committee can take into account the

estimated length of a full dismissal and appeal process to help determine what is reasonable in the circumstances.

- 6.7 The Remuneration Committee may also wish to consider the outcome of the government's consultation on public sector exit payments, specifically that such payments should be capped at £95,000.
- 6.8 It is important that severance payments should not result in reward, or risk being perceived as a reward, for poor performance, failure, dishonesty or inappropriate behaviour.
- 6.9 Where necessary, and in particular where a package is being proposed that is outside the normal policy or contractual parameters applicable to the particular individual, the Remuneration Committee should have access to legal advice on any risks associated with the proposed severance arrangements.

7 Honoraria (additional) payments

- 7.1 Information regarding an honorarium payment which take a base salary to over £100,000 will be provided to Remuneration Committee on an annual basis, for information only.

8 Confidentiality clauses

- 8.1 Where the severance payment is being made under the terms of a settlement agreement, it is normal for the settlement agreement to contain provisions around confidentiality. However, this does not remove the need for accountability in how severance payments are determined. While the terms of the settlement agreement might remain confidential between the parties, the severance payment is open to external scrutiny in accordance with the university's audited financial statements and related reports, or as a result of disclosure in response to Freedom of Information Act requests.

9 Equality & diversity

- 9.1 When considering decisions regarding pay, Remuneration Committee will pay due regard to the equality data provided and protected characteristics.

10 Data Protection

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

11 Monitoring and review

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

Appendix A: Competitor Groups

UCAS Competitor Universities:

These comprise six universities to which DMU applicants most commonly apply

The UCAS competitor universities comprise of six universities:

- Birmingham City University
- Coventry University
- Manchester Metropolitan University
- Nottingham Trent University
- University of Derby
- University of Leicester

DMU Internal Competitor group

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

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

These competitor groups are subject to periodic review and change.

Appendix B: Remuneration Committee Approval of Severance Arrangements for ULB members

Privileged and confidential

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

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

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

1 Introduction and scope

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

2 Exclusivity of service

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

“Exclusivity of service

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

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

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

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

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

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

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

3 Declaration and approval

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

4 Retention of payments

- 4.1 The Vice-Chancellor (in respect of other ULB members) or the Remuneration Committee (in respect of the Vice-Chancellor) will determine to what extent any payments derived from that activity may be retained by the individual.
- 4.2 It is unlikely that ULB members will be able to retain significant sums, but any payments they do retain must be disclosed and explained with a clear justification.
- 4.3 Where non-cash benefits are received from such external activities, these should also be declared and the equivalent cash value used to determine whether or not it is appropriate to be retained by the individual.
- 4.4 Normally, payments derived from external activity may be retained by the individual where the following applies:
- The activity is not an expected part of their normal role for the university for which they are already remunerated.
 - The activity is entirely separate from the university's core business and is a personal endeavour undertaken in the individual's own time (e.g. at the weekend), using their own resources¹. In such cases, the individual is responsible for declaring any income to HMRC for tax and NI purposes.
- 4.5 The following may also justify retention of personal payments by the individual:

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

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

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

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

5 **Transparency, accountability and disclosure**

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

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

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

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

Name:

Position:

Description of the work/activity:

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

Estimated time commitment to deliver the activity:

Will it be undertaken during normal working hours?:

What university resources², if any, will be used in delivering the activity?

Is the work/engagement paid or unpaid?

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

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

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

- Approved
 Not approved

Rationale for decision:

Decision on retention of payments (where applicable):

Review date (for ongoing/recurrent activities):

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