



## **Report from the Remuneration and Nominations Committee**

### **Issue**

1. The board is kept informed of the work of its Remuneration and Nominations Committee by receiving a report on the outcomes of each meeting. The attached report summarises the outcomes of the Remuneration and Nominations Committee meeting held on 25 September 2019.

### **Recommendations**

2. The board is invited to:
  - a. Note the outcomes of the meeting held on 25 September 2019.
  - b. Approve amendments to the committee's terms of reference at Annex A.

### **Further information**

3. Available from Monisha Shah, chair of the Remuneration and Nominations Committee.

## Remuneration and nomination Committee report September 2019

### Update to the Remuneration and Nominations Committee terms of reference

1. The committee considered its own terms of reference and agreed some updates were required to provide clarification on the responsibilities of the committee and its membership arrangements.

**Recommendation:** The board is invited to approve the revised terms of reference at Annex A.

### Review against the CUC remuneration code

2. The committee considered a paper providing a comparison of the OfS approach to its remuneration arrangements against the principles set out in the Committee of University Chairs (CUC) Higher Education Senior Staff Remuneration Code and noted that it is largely comparable in the relevant areas. This confirmed that both the OfS and the committee itself operate with proper levels of accountability and transparency in remuneration matters.
3. Full details of the comparison are available at Annex B.

### The annual pay award and remuneration for directors for the period April 2018-March 2019

4. Exempt from publication.
5. Exempt from publication.
6. Exempt from publication.
7. The committee noted that final remuneration information for the directors will be included in the OfS annual report and accounts and published on the OfS website.

### Chief executive's performance assessment and remuneration recommendations for the period April 2018-March 2019

8. Exempt from publication.
9. Exempt from publication.
10. The committee noted that final remuneration information for the chief executive will be included in the OfS annual report and accounts and published on the OfS website.

## Other committee business

11. The committee acknowledged the work that has already been done in relation to developing the organisation and its people and noted that a new approach to performance management process is currently being developed. This is a key HR priority and it will start to be rolled out in quarter 4 of 2019-2020. An OfS competency framework, which is set in the context of the organisation's values is being developed as part of this work and guidance on objective setting will also be covered.
  
12. The committee welcomed assurances that the OfS is actively seeking ways to address the gender pay gap and that an equal pay audit has been commissioned to inform this as part of the 2019 pay remit preparation. We will be updated on the outcomes at the next meeting.

Monisha Shah  
September 2019

## Annex A – Office for Students Remuneration and Nominations Committee: terms of reference

### Purpose

1. The Office for Students (OfS) has established a Remuneration and Nominations Committee to support the OfS board and the chief executive as Accounting Officer, in their responsibilities for the pay and performance management of senior management and for the pay remit relating to OfS staff. In addition, the committee will provide assurance to the OfS board in relation to organisational development and wider staffing issues. It also provides advice to the OfS chair on the nominations and appointments of independent members to any OfS committee.

### Responsibilities

2. The responsibilities of the committee shall be:
  - a. In relation to the chief executive:
    - i. To make recommendations to the OfS board on the terms and conditions of the employment of the chief executive, noting that some aspects of the terms and conditions will then need to be referred to the Department for Education (DfE) for approval. Unless there are exceptional circumstances, the board delegates consideration and approval of these recommendations to the chair of the board.
    - ii. To support the OfS chair in setting performance objectives with the chief executive and monitoring their performance.
    - iii. ~~Informed by the annual performance review, Treasury/Cabinet Office/DfE pay guidance on senior pay and pay remit controls, and other relevant data, to~~ carry out an annual review of the remuneration of the chief executive, ~~making recommendations to the board on any remuneration changes. This may also require DfE approval to ensure compliance with including making recommendations to DfE about proposed changes to levels of performance related pay which comply with DfE and~~ wider civil service guidance.
  - b. In relation to the Director for Fair Access and Participation (DFAP):
    - i. To support the chief executive in setting objectives with the DFAP and monitoring their performance.
    - ii. ~~Informed by the annual performance review, Treasury/Cabinet Office/DfE pay guidance on senior pay and pay remit controls, and other relevant data, to~~ carry out an annual review of the remuneration of the DFAP, including making recommendations to ~~DfE the board~~ about any proposed remuneration changes. ~~changes to pay and levels of performance related pay within the context of the terms and conditions agreed by the board.~~
  - c. In relation to the other OfS directors:
    - i. To support the OfS chief executive in monitoring the directors' performance.

ii. To carry out an annual review of the remuneration of directors, and, based on the recommendations of the chief executive, to make decisions about ~~changes changes into remuneration, pay and levels of performance related pay involving DfE as required.~~

~~iii.~~ To endorse changes to the pay and banding of any director role outside of the annual review process.

d. In relation to the OfS more widely:

- i. To ~~review comment on~~ the aims of the annual pay remits, which seek authority from DfE for the nature and scale of pay awards to OfS staff, delegating final decisions ~~the details~~ to the chief executive.
- ii. To ~~set and review~~ comment on the ongoing appropriateness and relevance of the OfS's approach to remuneration in enabling it to recruit, motivate and retain staff.
- iii. To ~~consider an annual report on OfS's approach to staffing policy and organisational development, and to~~ provide advice to the OfS Chief Executive on staffing policies and organisational development and, in turn, provide assurance to the board on these matters as and when required on staffing policy and organisational development.
- iv. To review the remuneration report that forms part of the OfS' Annual Report and Accounts which must include details of the remuneration of all board and committee members, chief executive, DFAP and directors.
- v. To support the OfS chair, chief executive and DfE in the consideration of succession planning requirements at board and executive level.

e. In relation to committee nominations:

- i. To provide assurance that the process for recruiting independent members to any OfS board committee is open, fair, and promotes diversity and equality of opportunity.
- ii. To provide advice to the OfS chair on the appointment of suitable independent members to any of these committees.

3. The committee will take account of remuneration and appointments policy and advice provided by the HM Treasury, the Cabinet Office and DfE in carrying out its work.

## Authority

4. The committee is authorised by the OfS board to:

- a. Seek any information it needs from any employee of the OfS and from any other body in order to perform its duties.
- b. Procure specialist ad-hoc advice (including legal advice) at the expense of the OfS up to £10k per annum or as agreed by the board.

## Membership

5. The committee shall be appointed by the OfS board. It shall consist of:
- a. Up to three non-executive, ordinary members of the board one of whom will be appointed as chair of the committee.
  - b. An independent member with relevant experience of HR matters or remuneration committees.

~~6. The student member of the board will normally be appointed to this committee. If this is not possible, an appointment may be made from the Student Panel.~~

~~7. The chair of the OfS board may be a member of the committee but should not act as its chair.~~

~~6-8. Neither the chief executive nor any other member of the Executive may be a member of the committee.~~

~~7-9. Appointments to the committee shall be for a period of up to three years, which may be extended for up to a further three-year period, providing the board member or the independent member still meets the criteria for membership of the committee.~~

~~8-10. Any two members of the committee will comprise a quorum for decision making.~~

~~9-11. All members of the Remuneration and Nominations Committee are legally indemnified against negligence by the Department for Education.~~

## Meetings

~~10-12. The committee will normally meet at least twice a year. The chair of the committee may convene additional meetings as they deem necessary.~~

~~11-13. In the absence of the chair of the committee, the meeting will be chaired by another member that is also a member of the OfS board.~~

~~14. While only members have a right to attend meetings, the committee may ~~also require request~~ that the chief executive or any other officials of the OfS ~~to~~ attend to assist it with its discussions on any matter.~~

~~15. The committee may invite the chief executive will only to attend any parts of its meetings that do not other than those directly affecting their personal remuneration or performance assessment.~~

~~12-16. The committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.~~

~~13-1. The committee may invite the chief executive to attend any parts of its meetings other than those directly affecting their personal remuneration or performance assessment.~~

## Reporting

~~14-17. The committee will formally report in writing to the OfS board after each meeting.~~

15.18. Committee meetings shall be minuted and draft minutes ~~circulated to members~~ agreed with the chair as soon as possible after the meeting.

16.19. The committee's activities will be reported in the OfS annual report and account including disclosure of all senior staff remuneration as required by HM Treasury's Financial Reporting Manual (FRoM).

17.20. Committee papers and minutes are available to the National Audit Office on a need to know basis and to any OfS board member by agreement with the chair of the board and chair of the committee (and subject to compliance with data protection rules). They will otherwise remain confidential.

## **Other**

18.21. The committee shall, from time to time, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the OfS board for approval.

## **Annex B – Committee of University Chairs: The Higher Education Senior Staff Remuneration Code Checklist against OfS remuneration arrangements – completed August 2019**

The CUC sets out the 3 key elements it believes are essential for fair and appropriate remuneration:

- I. A fair, appropriate and justifiable level of remuneration
- II. Procedural fairness
- III. Transparency and accountability.

Each of these elements are underpinned by several supporting principles.

### **Element I – a fair, appropriate and justifiable level of remuneration**

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

<b>Principles</b>	<b>OfS approach</b>
<ol style="list-style-type: none"> <li>a. Remuneration should take account of the context in which the institution operates</li> <li>b. Remuneration must be linked to the value, based on a number of components, delivered by an individual acting within a role</li> <li>c. Remuneration must consider matters of equality, diversity and inclusion with a view to ensuring that there are no biases pertaining to gender or other protected characteristics within the pay structure</li> <li>d. Institutions should be clear about what they expect from staff, i.e. what is 'normal' and what is 'exceptional'. There should be a robust</li> </ol>	<p>Public sector pay provides a benchmark for remuneration decisions. The SoS / DfE determine CE and DFAP pay</p> <p>Remuneration and bonus decisions are based on the outcome of performance assessment and progress against objectives</p> <p>Job descriptions have recently been independently evaluated. There is a common method for performance assessment across the organisation.</p> <p>Work is underway to address the gender pay gap.</p> <p>Each member of staff has an agreed set of objectives, underpinned by the OfS values and behaviours alongside the enablers. Performance will</p>



<p>and consistent process for setting objectives and assessing an individual's contribution</p> <ul style="list-style-type: none"> <li>e. Remuneration can vary according to individual performance</li> <li>f. Awards made in respect of annual bonus arrangements linked to the achievement of specific annual objectives should not be consolidated</li> <li>g. From time to time the value of a role may need to be reviewed in light of changing conditions, sustained performance, experience, etc.</li> <li>h. Non-achievement of an individual's expected contribution should have consequences</li> <li>i. Any severance payments must be reasonable and justifiable</li> <li>j. There should be clear and justifiable rationale for the retention of any income generated by an individual from external bodies in a personal capacity</li> </ul>	<p>be assessed against these. A new competency based system for performance assessment is being developed.</p> <p>OfS operates a system of performance related pay. Performance-related bonuses are non-consolidated. Any across organisational annual pay increases are consolidated.</p> <p>Roles can be put through a job evaluation process. In the case of directors this was been carried out by an external body in Sept 2018. Where performance is identified as requiring improvement, a development plan would be agreed with that member of staff. Such arrangements would need to be agreed with Cabinet Office. This is more relevant for universities where academics may generate income from their work. In addition, section 11 of the staff terms and conditions (Compliance with Ethical Guides &amp; Conflict of Interest) sets out the process employees must take if they wish to undertake any activities with real or perceived conflicts of interest.</p>
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## Element II – Procedural fairness

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

### Principles

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

### OfS approach

Although not obligatory, decisions on senior level pay are made in line with Treasury Guidance and within the context of the overall pay remit. The salary of the chief executive and any non-consolidated bonuses take into account Treasury/Cabinet Office/DfE guidance on senior pay and pay remit controls.

Based on recommendations from the RemNom, the CE's salary is determined by the board. The RemNom is also involved in decisions regarding the pay of the Executive. Staff pay is set out in the pay remit agreed by DfE and the pay deal agreed between management and the PCS (recognised trade union).

The RemNom is a sub-committee of the board. The independent member brings direct and relevant HR expertise.

The CE is not a member of the committee nor is any other member of the Executive

The committee is chaired by a member of the board and the terms of reference explicitly state that the chair of the board cannot chair this committee. However, the chair is a member of RemNom.

### Element III – Transparency and accountability

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

#### Principles

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

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

#### OfS approach

The OfS annual report and accounts contains a remuneration report and this includes:

- A list of member of the RemNom including its remit specifically relating to the CE and DFAP.
- The role of the RemNom in determining pay for the CE and DFAP

No details of comparator organisations are published as pay for the chief executive and DFAP are determined by the SoS / DfE. This has relevance for universities where some of their academic staff may have other income sources related to their area of expertise, i.e. media work, writing for journals. This has little relevance to the OfS so there is no policy on this. See also Element I, paragraph j. The pay multiple of the Hol and the median earnings of the OfS are clearly set out in the remuneration report. Historic data will become available as more accounts are produced.

There is no information on this in this year's remuneration report as this was the first full year of 'trading' for the OfS.