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## APPROACH TO SENIOR STAFF REMUNERATION

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### 1. Introduction

Remuneration Committee is responsible for setting remuneration levels for the School's most senior staff, defined as the roles listed in the next paragraph. The aim of this paper is to put in place a policy and framework for determining the pay of these staff which ensures that staff are appropriately remunerated in terms of their recruitment, retention and motivation whilst also seen as being a proportionate use of funds.

Within the Terms of Reference for Remuneration Committee, the remuneration of the following roles are considered under this policy:

- President and Vice Chancellor
- Vice President and Pro-Vice Chancellors
- Chief Operating Officer
- School Secretary
- Chief Financial Officer
- Chief Philanthropy and Global Engagement Officer
- Any other selected senior roles that report to the President and Vice Chancellor aside from Heads of Departments

Remuneration refers to the full range of the reward package for individuals and includes salary, benefits (including pension contributions), honoraria, allowances and incentives.

### 2. Aim of policy

This policy seeks to:

- Provide assurances to the stakeholders of the School (including Council) that the School is carrying out its work on senior staff remuneration in a responsible and transparent way assuring that the School is not brought into disrepute.
- Ensure that the senior staff within the School are remunerated fairly that reflects the accountabilities, size of role and performance.
- Ensure that the remuneration the School offers enables it to recruit and retain strong leaders which will further the work and strategy of the School.
- Ensure that any changes in remuneration for senior staff are linked to meeting stretching objectives that are linked to the School's strategy and values.

### 3. Overarching principles

The LSE follows the principles of the Higher Education Code of Governance((September 2020)) and the Higher Education Senior Staff Remuneration Code (June 2018) both published by the Committee of University Chairs.

In order to ensure the School is following best practice inside and outside of the sector, it also notes the principles set out in the Five Principles of Good Pay as detailed in the ACEVO's The Good Pay Guide for Charities and Social Enterprises (December 2013) and the UK Corporate Governance Code published by the Financial reporting Council in April 2016.

The Higher Education Senior Staff Remuneration Code (June 2018) states that "fair and appropriate remuneration requires three key elements-namely that there is:

- a fair, appropriate and justifiable level of remuneration;

- procedural fairness; and
- transparency and accountability.

In order to support the above, the LSE has the following principles:

- **A fair, appropriate and justifiable level of remuneration;** 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 which recognises an individual's contribution to the LSE's success in the 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.
- **Transparency;** being open internally and externally about the remuneration policy of the School and how salaries are set. To evaluate, publish (as appropriate) and report regularly and to provide an institutional level justification for the remuneration of senior post holders that relates it to the competitive environment, the value of the role and institutional performance. To show that the School conducts its business with due respect for the public interest. The remuneration of the President and Vice Chancellor will be justified, published and related to the remuneration of all staff with the organisation.
- **Proportionality;** fairness and consistency in application, e.g. balancing mechanisms such as job evaluation system, pay bands, internal pay progression with considerations of external market pay and regular equal pay analysis and as necessary make pay equity adjustments to the remuneration of staff.
- **Performance;** ensuring that remuneration is treated as an enabler to achieving the School's objectives.
- **Recruitment and retention;** ensuring that salaries reflect the markets in which the School operates in for each discipline by reference both to the levels paid by our national and international competitors within the sector, and by other relevant institutions which compete for the skills of staff.
- **Process;** remuneration should be set through a policy and process that is based on applying a consistent framework with independent decision making. Decisions should be based upon appropriate evidence and should assess the value of roles, the contract and individuals' performance, in order to set senior salaries effectively, clearly and to meet the other principles.

In order to support decision making, Remuneration Committee can consider obtaining legal advice as and when needed. Independent advice will be organised by the Director of Human Resources with approval of the Chair of Remuneration Committee.

#### 4. Key considerations when determining senior staff remuneration

In addition to following the above, in deciding the remuneration for senior staff in the School, the Remuneration Committee should also consider:

- a) the individual contribution of the potential post holder to the delivery of their role, School Strategy and alignment to School values.
- b) how the remuneration is linked to the skills, experiences and competencies that the School needs from its senior staff and the scope of their roles.
- c) the School's ability to pay including:
  - the benefit to the School that such positions will bring, including the benefits to the sustainability of the institution;
  - the cost to the School of increasing remuneration levels;
  - how increasing remuneration, particularly at senior levels, would be perceived by employees, alumni, donors and students; and

- whether the remuneration level is affordable and sustainable.
- d) how the remuneration compares to similar roles within and outside the sector.
- e) reputational damage and public interest.

## **5. Remuneration of senior staff**

### **On appointment**

Remuneration Committee is responsible for the remuneration (including any benefits in kind) of the President and Vice Chancellor. The remuneration of senior staff reporting to the President and Vice Chancellor should be proposed by the President and Vice Chancellor for Remuneration Committee to consider and approve.

In determining the remuneration, the Committee should consider all aspects mentioned in section 4 and be provided with sufficient comparable benchmarking data. The Committee should be provided with details of the full remuneration package.

In determining the remuneration of senior staff, Remuneration Committee should also take into consideration pay proportionality as guided by the latest CUC guidance and any sector specific best practise.

The salaries of senior staff are reviewed each year in line with the national pay award which is negotiated by the Joint Negotiating Committee for Higher Education Staff (JNCHES).

In addition to basic salary and pensions contributions, other benefits in kind may be negotiated.

### **Annual performance review and reward**

The Chair of Court and Council will make a recommendation to Remuneration Committee on any annual award for the President and Vice Chancellor. In the case of the President and Vice Chancellor's direct reports, the President and Vice Chancellor will recommend to Remuneration Committee any annual awards. The Remuneration Committee needs to approve the recommendations and may deviate from the Chair of Court and Council or President and Vice Chancellor's recommendation or reject it altogether.

When considering the Chair of Court and Council's recommendation, Remuneration Committee will also be provided with the following information:

- Details of remuneration information for the senior staff over the last three years (or since they have been on post)
- A record of any previous awards given to senior staff over the last three years
- Evidence of individual performance against agreed objectives measured through a performance management framework. In the case of the President and Vice Chancellor: evidence of organisational performance under the President and Vice Chancellor's leadership
- Benchmarking information showing how LSE's remuneration levels compare with other comparable organisations.

**Human Resources**  
**April 2023**

**Approved by Remuneration Committee: 24 April 2023**