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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 proportionate use of funds.

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

- Director
- Pro Directors
- Chief Operating Officer
- School Secretary
- Director of LSE Advancement
- Any other selected senior roles that report to the Director 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 published by the Committee of University Chairs in December 2014.

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 LSE's principles are:

- **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 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.
- **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 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 School Director. The remuneration for senior staff reporting to the Director and on the

School Management Committee should be proposed by the Director for Remuneration Committee to consider.

In determining the remuneration, the Committee should consider all aspects mentioned in section 4 and be provided with sufficient comparable benchmarking data as detailed in section 7. 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 all 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 Director. In the case of the Director's direct reports, the Director will recommend to Remuneration Committee the annual award. The Remuneration Committee needs to approve the recommendation and may deviate from the Chair of Court and Council or Director's recommendation or reject it altogether.

When considering the Chair of Court and Council's or Director'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 Director: evidence of organisational performance under the Director's leadership
- Benchmarking information showing how LSE's remuneration levels compare with other comparable organisations. See section 7 for further information.
- Advice from the Chair of Court and Council on the performance of the Director during the academic year or advice from the Director on the performance of each member of senior staff during the year

In considering the appropriate level of reward, the Committee shall make adjustments in order to provide tangible reward for excellent performance. In the case where an award is given, an increase in salary (recurrent award) or non-consolidated payment (non-recurrent) should not be substantially out of line with that given to managers in equivalent positions at comparable universities.

As is best practice, the Director is not involved in deciding their own remuneration and the Director is not a member of Remuneration Committee. Following any decisions in regards to annual reward, the Director will be informed by the Chair of Court and Council. Staff reporting to the Director will be informed by the Director of any awards.

### **7. Benchmarking of senior staff remuneration**

When considering the remuneration of senior staff Remuneration Committee should be provided with comparative information from comparable organisations while taking into account LSE's position as one of the world's leading research intensive universities that competes internationally for senior staff.

This can include (but is not restricted to) data from the Committee of University Chairs (CUC) Vice-Chancellors' salaries survey, data provided by the Universities and Colleges Employers' Association (UCEA) and the annual survey undertaken by the Times Higher Education (THE). International benchmarks should also be used where appropriate.

Data should be used with caution to avoid over inflating salaries. Remuneration Committee will review which benchmarks are used on an annual basis.

## **8. Pensions**

The Director and senior staff will be able to join the Universities Superannuation Scheme (USS) pension scheme. They will be entitled to have access to any ongoing arrangements applicable to USS staff in relation to the alternatives due to pension taxation.

## **9. Notice period for senior staff**

The notice period for the Director is twelve months. For other senior staff the notice period is three months.

## **10. Severance pay**

Any severance payments made above the statutory requirements are to be agreed in accordance with the procedures approved by Remuneration Committee (February 2016) which are in accordance with HEFCE Guidance the CUC Illustrative Practice note on Remuneration Committees (March 2015).

## **11. Reporting and justification of decisions made by Remuneration Committee**

Council has delegated the decision making on the remuneration of senior staff to Remuneration Committee on its behalf. In order to provide necessary assurances to other members of Council, sufficiently detailed reports about senior staff remuneration will be provided to Council on an annual basis. This will be in addition to the regular reports made by the Chair of Remuneration Committee to Council after each meeting of Remuneration Committee.

The annual report to Council will include information on the pay multiple (ratio of the Director compared to the median salary of the workforce) and will illustrate how that multiple has changed over time. An explanation will be provided should the multiple increase.

Reference will be made about the rationale for the retention of any income by an individual generated from external bodies in a personal capacity (eg: Non Executive Director).

Details of the remuneration of the Director will be published online in the Annual Accounts.

**Indi Seehra**  
**Human Resources**  
**February 2018**

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<b>Implementation date</b>	April 2018	<b>Review period:</b>	Annual