

Welsh Assembly Public Accounts Committee inquiry into senior management pay

I write in response to your request for a written submission as evidence to the Public Accounts Committee in relation to value for money aspects of the pay of senior managers in the Welsh public sector.

1. Status and funding of Universities

1.1 Universities are autonomous charitable organisations which exist for the promotion of public benefit through the delivery of education and advancement of knowledge. As charitable institutions, Universities are not public sector bodies but are in receipt of public funding.

1.2 The levels of public funding are changing. Historically the principal sources of public funding for the HE sector in Wales took the form of recurrent grants for teaching and other activities made via HEFCW. There has been a gradual change in the funding mechanism since the introduction of student loans in England and the tuition fee grant for Welsh domiciled and EU students. As stated in the Explanatory Memorandum accompanying the HE Wales Bill:

“Following the introduction of the non-means tested tuition fee grant, funding which was previously provided by the Welsh Government to HEFCW and then allocated by HEFCW to institutions in Wales, was re-directed to the Welsh Government’s student support budget. The amount of financial support paid by HEFCW to institutions in Wales has reduced.”¹

1.3 The proportion of income to Universities in Wales from direct grant from the Funding Council is set to become less than 10% of universities’ income over the next few years. Meanwhile, tuition fee grant arrangements are working through the system. HEFCW’s circular on Funding Allocations in May 2014² states that in 2013/14, Welsh institutions have received £10M less from HEFCW than anticipated while HEFCW support for English universities through the tuition fee grant has increased by £4M more than projected. The position for 2014/15 is likely to continue this trend:

“For the payments for fee grant to Welsh-domiciled students studying elsewhere in the UK, for the purposes of modelling, we have concluded that the original estimates for 2014/15, based on WG projections, were too low when compared to the fee grant for 2013/14, early forecast modelling and SLC data.”

1.4 While universities benefit from public funding it is noteworthy that this forms only one source of income: a diverse mix of other funding and income generation supports much university activity, particularly in areas of research, innovation and business/industrial partnerships.

The Higher Education sector

1.5 The success of a University is judged on its ability to attract and educate high calibre students; to attract and retain high quality academic staff who can educate, research, innovate and engage with business and industry; and on its collective performance against all these measures. Higher Education institutions compete against each other in all these arena. While co-operation between universities is possible and does happen through formal partnerships, there are clear areas where competition law applies to University activities and sharing of information between universities has to be carefully considered to avoid potential breach.

¹ Higher Education (Wales) Bill, Explanatory Memorandum, p8 para 12.

² W14/18HE, 23 May 2014,

www.hefcw.ac.uk/documents/publications/circulars/circulars_2014/W14%2018HE%20HEFCW%20funding%20allocations%202014_15.pdf

- 1.6 Pay for most staff in the HE sector is governed by a National Framework Agreement with grades set against a nationally negotiated pay spine. Pay for clinical academics is determined by the NHS.
- 1.7 Pay for professors and senior staff is determined locally giving institutions flexibility to tailor reward arrangements in light of their mission, strategic imperatives and market conditions. The introduction of the periodic Research Assessment Exercise and its successor, the Research Excellence Framework, has created a particularly strong market between universities for successful research academics who have the capability and capacity to lead research and to drive forward the research agenda in their discipline. The translation of such research into partnerships with business and industry contributes strongly to economic development. The importance of recruiting stellar research leaders has been recognised by the Welsh Government's Ser Cymru programme.
- 1.8 The success of a university is dependent on its ability to recruit staff of the appropriate quality and calibre. Universities compete with other world-leading universities both in the UK and overseas.
- 1.9 Salaries at Cardiff University are therefore consistent with its standing as Wales' only member of the Russell Group of leading UK research Universities, which attracts a geographically diverse range of students; collaborates with worldwide institutions, governments and businesses; and conducts research that is proven to have global significance and impact. In doing so the University contributes significantly to Wales in terms of the economy, social equality and international profile.
- 1.10 Our Universities are very complex organisations and highly internationalised. They must excel across a wide range of research and education activities. Salaries need to be competitive internationally if we are to attract and retain the best talent.

2 Cardiff University – Governance arrangements for senior pay

- 2.1 Cardiff University is a chartered pre-1992 University and has governance arrangements and management structures typical of many universities in that part of the sector. (Post-1992 Universities have their own governance arrangements, dependent on their form and legal structure at the point of becoming a University.)
- 2.2 Cardiff University is governed by a Council with a lay majority. The Council is very much aware of its responsibilities in relation to senior remuneration and of the importance for decisions on pay at all levels to be based on sound and robust principles. Members of the Council are trained in equality and diversity.
- 2.3 In accordance with the sector's governance code³, the University has a Remuneration Committee which sets the pay policy for its senior staff. All senior staff pay is managed on a strategic basis by the University's Remuneration Committee.
- 2.4 The Remuneration Committee has set a policy appropriate for Cardiff University as a member of the Russell Group. This policy, for the reasons set out above, is confidential and has not been shared with other institutions. There is no single senior staff pay policy across the higher education sector. The autonomy to develop, within recognised practice and standards, individual approaches to governance and senior remuneration reflecting institutional context and mission is critical to both the success of HEIs and the sector as a whole.
- 2.2 The Remuneration committee forms part of the formal governance arrangements of the University, and reports to its governing body.

³ *The Guide for Members of Higher Education Governing Bodies in the UK* incorporates the Governance Code of Practice and General Principles, <http://www.universitychairs.ac.uk/wp-content/uploads/2014/02/Current-Code.pdf>

- 2.3 The Governance Code of Practice published by the Committee of University Chairs sets out a framework for governance in the HE sector, including the role of remuneration committees. Although universities are not required to adhere to the CUC Code, they are required to have due regard for it, and in practice the arrangements at Cardiff, as at most universities, is similar to those indicated by the CUC Code. The full CUC guidance is at **Annex A**.

3. Remit of Cardiff University's Remuneration Committee

- 3.1 The Remuneration Committee's remit is set out in the University's Ordinances:

The Committee shall review and determine the salaries, terms and conditions and, where appropriate, severance conditions of the President and Vice-Chancellor and such other members of staff as the Council deems appropriate including non-clinical Professors and those on equivalent academic and related grades, taking into account comparative information on salaries and other emoluments and conditions of service in the university sector and elsewhere as appropriate.

- 3.2 Cardiff University's Council given the Remuneration Committee the remit to determine the salary of the President and Vice-Chancellor and of senior members of staff. Senior members of staff include: the Vice-Chancellor's direct reports; the Heads of academic Schools; the Heads of Professional Services departments; all professors; all professional services staff on grade 9 (i.e. those on the local senior staff pay spine).

4. Membership of the Remuneration Committee

- 4.1 The Remuneration Committee comprises of the following members, and reflects the advice in the CUC guidance⁴:

- (a) Chair of Council - Mr J Jeans
- (b) Vice-Chair of Council - Dr G Treharne
- (c) Two lay Council representatives: Mrs G Williams & Professor S Palmer
- (d) Vice-Chancellor - Professor C Riordan
- (e) Deputy Vice-Chancellor - Professor E Treasure

The secretariat function is carried out by the Chief Operating Officer, Jayne Dowden.

- 4.2 No member of staff is present for the discussion of his/her own salary or if there are other conflicts of interest.
- 4.3 Lay members bring a wealth of experience from a range of sectors/ industries, and have significant experience of managing reward issues.

5. Operation of the Committee

- 5.1 All Senior Staff Pay is managed by the University Remuneration Committee, and enacted by the University following core principles set down by this committee. There is a strict and transparent process for consideration of the salary of any member of the senior staff and, following review by the Remuneration Committee, the Council considers and publishes its Senior Staff Pay Policy on an annual basis. The pay policy includes a statement of the principles of reward:

Principles

Cardiff University seeks to adhere to the following reward principles in determining pay for senior staff:

⁴ Committee of university Chairs, *Guide for Members of Higher Education Governing Bodies in the UK (2009)*, p.27.

1. *The process for remunerating senior staff will be clear and transparent.*
 2. *The University will monitor actively the external market with the aim of remaining fully competitive with UK-based research intensive institutions and the Russell Group. This includes consideration of salary levels in other institutions and whether there is a trend for senior salary reviews to be conducted, restricted or suspended.*
 3. *Pay increases will be clearly differentiated according to performance. Performance in line with role expectations will be rewarded with a pay increase that maintains pay competitiveness within the sector by application of any nationally negotiated pay award.*
 4. *The University will gear performance awards to those that are adding most value to the University. High or exceptional performance will be defined by reference to the strategic aims of the University.*
 5. *The financial framework for determining senior staff remuneration will take into account the impact on total costs of employment, not just the cost of actual pay increases. This includes such considerations as the on costs of employment e.g pension costs and national insurance contributions.*
- 5.2 The Remuneration Committee considers annually whether there should be a review of senior staff pay.
 - 5.3 Remuneration for members of the University Executive Board is determined by the Remuneration Committee. The Remuneration Committee considers and approves remuneration recommendations for other members of senior staff. Decisions are based on the performance and achievements of the senior staff over the year, and supported by comprehensive management information
 - 5.4 The Remuneration Committee meets twice a year, and has a range of performance information available to it including comparative salaries both inside and outside of the University.
 - 5.5 In exceptional circumstances only, the University may review pay for individual job-holders during the course of the year. The Remuneration Committee delegates to the Chair of the Remuneration Committee and/or the Vice-Chancellor the ability to make decisions on such out-of-cycle reviews. All such awards are reported to the Committee's next meeting.
 - 5.6 CUC guidance states that in making its deliberations committees should take into account other salaries in the HE sector:

The remuneration committee must seek comparative information on salaries and other benefits and conditions of service in the higher education sector. Two sources of information are available: the CUC has a database of salaries, benefits and conditions of service for heads of institution (currently available only to chairs of governing bodies); and the Universities and Colleges Employers Association (UCEA) collects data on the salaries of other senior staff.⁵
 - 5.7 The Remuneration Committee's work is informed by comparative information on salaries and other benefits and conditions of service in the higher education sector. Two sources of information are available: the CUC has a database of salaries, benefits and conditions of service for heads of institution (currently available only to chairs of governing bodies) and the Universities and Colleges Employers Association (UCEA) collects data on the salaries of other senior staff.
 - 5.8 Senior staff are appointed to a spot salary on a pay spine based on consideration of three elements: role responsibilities, market worth and relevant internal pay differentials. Pay is proportionate with

⁵ *Guide for Members*, p.27.

the responsibilities of senior staff roles within a Russell Group University with large staff and student numbers.

- 5.8 The policy and principles apply in determining starting salaries for internal appointments/promotions as well as for external recruits. All staff on grade 5 and above have access to the Universities' Superannuation Scheme (USS) to which employers currently contribute 16% of salary. The total value of the package (base pay plus employer's pension contribution) is quoted where comparative data is given to aid comparison.

President and Vice-Chancellor pay

- 5.9 Sample comparative data for the role of President and Vice-Chancellor at Cardiff University are shown in Appendix B. Such data are made available to the Remuneration Committee. This role is one which UK, Australian and American universities look internationally to fill as higher education increasingly has a global focus. These data include:

- Table 1: salaries of Presidents and Vice-Chancellors in the Russell Group
- Table 2: salaries of Presidents and Vice-Chancellors in Wales
- Table 2: salaries of Presidents and Vice-Chancellors in Australia
- Table 4: salaries of Presidents and Vice-Chancellors in USA.

The Council and Remuneration Committee of Cardiff University had regard both to the international, UK and Welsh data when setting and reviewing the President and Vice-Chancellor's salary.

Senior manager pay: academic leaders

- 5.9 As a chartered university, Cardiff operates a rotational model for senior academic leadership positions. This means that its Pro-Vice Chancellors and Heads of academic schools are appointed to these academic leadership positions for fixed terms of office, while continuing to make an academic contribution in teaching and research. In a Russell Group institution it is important for the credibility of such academic leaders that they have a strong track record in academic activity and that they seek to maintain this.
- 5.10 Those undertaking senior academic leadership responsibilities are paid a Senior Management Allowance for the fixed period that they occupy these roles. This allowance is removed at the end of the Senior Management role. The underlying base salary is determined in the same way as other holders of professorial posts.

Professorial pay

- 5.11 Professorial staff are recruited following international search for candidates able to make the contribution necessary to enable Cardiff University to achieve its ambition to be in the top 100 universities world-wide and in the top 25 in the UK. There is an intensely competitive market for such staff as already indicated. The following figures show the upper quartile, median and lower quartile figures for professors across the Russell Group.

Base pay			Base pay plus pension		
lower decile	median	upper decile	lower decile	median	upper decile
£74,993	£79,678	£89,594	£86992	£92426	£103929

Some Russell Group universities have professorial pay policies which involve the payment of supplementary allowances. This is not a practice at Cardiff University.

Senior manager pay: professional services managers

- 5.12 Senior management posts for professional services are externally advertised on a national basis. There is a competitive market for senior professionals with the relevant skills set to operate in the current changing and challenging environment. Comparative annual pay data is obtained via the Universities and Colleges Employers Association and the Russell Group.
- 5.13 Three senior professional services managers are members of University Executive Board and have salaries in excess of £100,000. Each is paid below the median for their role in other Universities in the sector and for other comparably sized organisations.

Clinical Academic salaries

- 5.13 The final segment of senior staff, the clinical academics, are employed on NHS pay scales. These staff have access to clinical excellence schemes in the same way as NHS consultants which give rise to salaries in the senior manager range. Over eighty such staff are employed at Cardiff University.

6 Conclusion

- 6.1 The University hopes that this information clarifies how remuneration works in the sector. It is the view of Cardiff University's Remuneration Committee that it controls the setting and review of salaries for all its senior staff and that it has due regard for equality and diversity considerations in so doing.

May 2014

Appendix A:

Excerpt from the Chairs of University Councils' Governance Code of Practice⁶

2.46. *Governing bodies should establish a remuneration committee to determine and review the salaries, terms and conditions (and, where appropriate, severance payments) of the head of institution and such other members of staff as the governing body deems appropriate.*

2.47. *Membership of such a committee should include the chair of the governing body, at least three other lay/independent members (not necessarily members of the governing body) and the lay treasurer if such an office exists, from among whom a committee chair should be appointed. The head of the institution may be a member of the committee, but in any case should be consulted on remuneration relating to other senior post-holders and should attend meetings of the committee, except when the committee discusses matters relating to his/her own remuneration.*

2.48. *The remuneration committee must seek comparative information on salaries and other benefits and conditions of service in the higher education sector. Two sources of information are available: the CUC has a database of salaries, benefits and conditions of service for heads of institution (currently available only to chairs of governing bodies); and the Universities and Colleges Employers Association (UCEA) collects data on the salaries of other senior staff.*

2.49. *If considering severance arrangements for senior staff, the remuneration committee must represent the public interest and avoid any inappropriate use of public funds. The committee should be careful not to agree to a severance package which staff, students and the public might deem excessive. Contracts of employment for senior staff should specify periods of notice of not more than 12 months, and should not provide for pension enhancements.*

2.50. *The remuneration committee's reports to the governing body should provide sufficient detail of the broad criteria and policies against which decisions have been made.*

⁶ The Code is published on the CUC website and available at: <http://www.universitychairs.ac.uk/wp-content/uploads/2014/02/Current-Code.pdf>

Appendix B

1. Russell Group financial comparisons - 2012/2013

University	Total Staff	Total Income (£ '000)	Staff costs (£ '000)	President & Vice-chancellor 2012-13 emoluments details			
				Salary (£)	Other benefits (£)	Pension (£)	Total (£)
LSE	3135	263,213	130,849	£324,000	£97,000	£45,000	£466,000
Oxford	11180	1,086,900	541,600	£380,000	Not stated	£54,000	£434,000
Birmingham	6320	492,625	263,453	£400,000	included in salary	£0	£400,000
Sheffield	6115	484,800	247,500	£370,000	£4,000	£0	£374,000
University College London	9345	940,019	516,611	£315,028	£0	£50,404	£365,432
Liverpool	5095	392,900	216,100	£360,000	included in salary	£0	£360,000
Nottingham	7315	561,900	295,200	£313,000	£44,000	£0	£357,000
Exeter	3880	280,360	152,535	£290,000	Not Stated	£52,000	£342,000
Cambridge	9380	1,438,000	605,000	£289,000	Not Stated	£45,000	£334,000
Southampton	5735	447,221	250,770	£294,000	Not stated	£39,615	£333,615
Warwick	5055	459,600	224,800	£332,000	included in salary	£0	£332,000
Imperial College	7265	822,000	392,900	£309,000	£21,000	£0	£330,000
Leeds	7115	547,601	301,773	£318,000	£7,000	£0	£325,000
Bristol	5535	459,200	246,300	£318,700	£2,300	£0	£321,000
King's College London	6695	586,948	349,889	£267,000	£5,000	£49,000	£321,000
Glasgow	5840	468,953	249,558	£258,000	Not Stated	£41,000	£299,000
Manchester	9455	826,970	424,055	£248,000	£4,000	£40,000	£292,000
Edinburgh	8390	737,786	377,265	£227,000	£2,000	£57,000	£286,000
Durham	4100	283,379	155,773	£244,000	Not Stated	£39,000	£283,000
Newcastle	5505	405,300	218,800	£222,000	£1,700	£55,900	£279,600
York	3455	286,641	153,818	£271,783	£5,168	£0	£276,951
Cardiff University	6050	436,685	249,121	£216,000	£2,000	£34,000	£252,000
Queen Mary London	3935	232,609	196,104	£201,000	£3,000	£32,160	£236,160
Queen's Belfast	3410	286,090	158,326	£230,000	Not stated	£0	£230,000

2. Welsh University financial comparisons 2012/13

University	Total Staff	Total income (£ '000)	Staff costs (£ '000)	President & Vice-chancellor 2012-13 emoluments details			
				Salary (£)	Other benefits (£)	Pension (£)	Total (£)
Aberystwyth	2295	119,224	66,959	£228,000	Not Stated	£24,000	£252,000
Cardiff	6050	436,685	249,121	£216,000	£2,000	£34,000	£252,000
Swansea	2625	182,294	103,910	£235,000	£6,000	£0	£241,000
Cardiff Metropolitan	1270	80,948	48,088	£206,328	£19,558	£0	£225,916
Bangor	2175	135,361	76,279	£221,000	Not Stated	£0	£221,000
South Wales	2586	192,545	115,808	£190,000	Not stated	£26,672	£216,672
Glyndwr	655	43,884	26,992	£201,627	£13,270	£0	£214,897
Royal Welsh College of Music & Drama	162	11,675	6,145	£129,000	Not Stated	£15,000	£144,000
University of Wales, Trinity Saint David	855	35,652	20,043	£91,000	£14,000	£14,000	£119,000

3. Top 20 Rankings of US Institutions as defined by the National University Rankings from US News

Information from *The Chronicle of Higher Education 2011*, converted from US Dollars to Pounds Sterling with an exchange rate of 0.6 as at 30 May 2014

USA Top 20 Universities	President Remuneration as at 2011	
	Base Salary (£)	Total Salary (£)
University of Chicago	£550,796	£2,015,234
Columbia University	£593,201	£1,396,406
University of Pennsylvania	£646,810	£1,255,058
Yale University	£630,605	£991,526
Northwestern University	£471,102	£813,037
Brown University	£385,843	£775,266
Vanderbilt University	£430,978	£740,849
Emory University	£522,242	£720,380
Massachusetts Institute of Technology	£417,632	£719,926
Washing University in St. Louis	£489,632	£718,364
Duke University	£459,175	£710,721
Johns Hopkins College	£515,733	£710,721
Rice University	£473,156	£706,933
Stanford University	£440,807	£648,674
Princeton University	£437,952	£561,196
Dartmouth College	£460,897	£550,575
Harvard University	£432,265	£539,840
Cornell University	£420,502	£523,293
University of Notre Dame	£353,429	£447,841

Australia: Group of Eight (Russell Group) research intensive Universities

Information from *Financial Accounts 2012*, converted from Australian Dollars to Pounds Sterling with an exchange rate of 0.56 as at 30 May 2014

University	Staff Numbers	Total income (£ '000)	Vice-chancellor/ Principal 2012 emoluments details
			Salary (£)
Western Australia	4025	£462,520	£529,200
Melbourne	7937	£945,184	£562,800
Monash	8071	£841,103	£618,800
UNSW Australia	3484	£823,060	£512,400
Australian National University	4413	£561,573	£464,800
Queensland	7704	£918,691	£660,800
Adelaide	3684	£419,692	£514,080
Sydney	7519	£894,398	£518,000

