



## BRIEFING PAPER

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# Vice-chancellors' pay in higher education institutions in England

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## Summary

The pay of senior staff in universities is currently under scrutiny.

Vice-chancellors' pay is a hot topic and has been discussed in the media since details of the remuneration of the vice-chancellor of the University of Bath were disclosed in September 2017. A table of vice-chancellors' salaries in the *Times Higher Education* in June 2017 showed that Dame Glynis Breakwell, the vice-chancellor of the University of Bath was the highest paid university vice-chancellor in the UK; in 2016-17 she was paid a salary of £451,000. The table showed that vice-chancellors at six other universities also earned over £400,000 in that year.

It has been suggested that vice-chancellors' salaries have increased since the rise in tuition fees in 2012, but this has not been demonstrated. Various reasons have been given for increased vice-chancellor pay and the reasons for this tend to be different in each specific situation.

On 6 June 2018 the Committee of University Chairs (CUC) published a final version of a new voluntary Code - [The Higher Education Senior Staff Remuneration Code](#). The Code will among other things require institutions to:

- justify their pay decisions if their leaders' salary is in the highest sector quintile compared to average staff remuneration,
- give consideration to the rate of increase of the average remuneration of all other staff when setting the vice-chancellors' pay,
- publish the pay multiple of the vice-chancellor compared to the median earnings of the whole workforce,

The Code also states that no individual should be involved in deciding their own remuneration.

The government will also take on a regulatory role in this area through the work of the Office for Students (OfS) and on 19 June 2018 the OfS announced that it would publish details of total remuneration packages paid to vice-chancellors in an annual report.

This briefing outlines the issue and gives information on policy.

# 1. Background

In 2012 higher education tuition fees rose to a maximum of £9,000 per year for a full-time undergraduate degree in England. Fees rose again after the first year of the Teaching and Excellence Framework and in 2017-18 academic year the maximum level for tuition fees is £9,250.

Since these fee rises there has been increased focus on the value for money of higher education. In November 2016 Universities UK published a briefing - [What do universities spend their money on?](#) and in September 2017 the Education Select Committee launched an inquiry [Value for money in higher education](#).

With the cost of higher education currently in the spotlight in September 2017 the issue of vice-chancellor pay became a focus of attention when it was disclosed that in 2015-16 the vice-chancellor of the University of Bath was paid £451,000. A survey of vice-chancellor's salaries published in the *Times Higher Education* (THE) in February 2018 looked at salaries in 2016-17. This showed that vice-chancellors at ten universities received a total pay package of over £400,000 (including pension and one off payments). A further three had more than one vice chancellor during the year and paid them a total of more than £400,000. The **average pay package was £290,000**; an increase of 3.2% on 2015-16.

This issue has come to prominence at a time when reports are highlighting high levels of student debt<sup>1</sup> and it has been suggested that senior staff at universities may be benefitting from the increase in student tuition fees.<sup>2</sup>

The level of remuneration of senior staff is a topic of public interest as it raises issues over the appropriate use of funds by HEIs and the impact of high salary levels on the reputation of the higher education sector.

## Government policy on senior pay

The Department for Education submitted evidence to the Education Committee inquiry, [Value for Money in Higher Education](#) which summarised government policy on senior pay:

Higher education providers are autonomous institutions, and they are solely responsible for setting the salaries of their staff. However, with public funding as the sector's most significant single funder there is a legitimate public interest in the efficiency of these providers. This includes senior staff pay. There is a risk that increasing salaries divert money away from a provider's core mission of teaching and research. Exceptional pay can only be justified by exceptional performance.

[\(Written evidence submitted by the Department for Education, 14 November 2017 VAL0059\)](#)

<sup>1</sup> Institute for Fiscal Studies, [Higher education funding in England: past, present and options for the future](#), July 2017

<sup>2</sup> "Tuition fees system is so 'politically diseased' it should be scrapped, says politician who helped design them", *Independent*, 7 July 2017

## 2. What are vice-chancellors paid?

In February 2018 the *Times Higher Education* (THE) published a [survey of vice-chancellors' pay](#) in UK higher education institutions (HEIs) in 2016-17. The survey also set out benefits and pension contributions. It showed that average total pay package for vice-chancellors over the period was **£289,756**:

...vice-chancellors were paid an average of £268,103 in salary, bonuses and benefits. This was £10,180 more than in 2015-16, amounting to a rise of 3.9 per cent. Once employer pension contributions are included, vice-chancellors received a total pay package of £289,756 on average, a rise of 3.2 per cent.<sup>3</sup>

Average figures can be misleading in this context with such a wide range of pay packages: from below £150,000 at one institution and below £200,000 at many others, to more than £400,000 at 13 universities.

The ten individuals with the highest pay packages are listed below. The largest package, £808,000 for Christina Slade at Bath Spa University includes a payment of £429,000 as "compensation for loss of office".

### BEST PAID VICE-CHANCELLORS IN 2016-17

Total pay package including one-off payments

Bath Spa University	Christina Slade	£808,000
University of Bath	Dame Glynis Breakwell	£471,000
London Business School	Sir Andrew Likierman	£458,000
University of Birmingham	Sir David Eastwood	£439,000
Imperial College London	Alice Gast	£433,000
University of Southampton	Sir Christopher Snowden	£433,000
University of Oxford	Louise Richardson	£430,000
University of Sheffield	Sir Keith Burnett	£426,589
King's College London	Edward Byrne	£425,000
University of Exeter	Sir Steve Smith	£424,000

Source: *THE V-C Pay Survey 2018*

The *THE* analysis of their survey highlighted cases where there were substantial one-off payments for former vice-chancellors who left their office during the year. These 'pay-offs' included:<sup>4</sup>

- £429,000 at Bath Spa
- £230,000 at the University of Sussex
- £186,876 at Birmingham City University

<sup>3</sup> "[Times Higher Education v-c pay survey 2018](#)", *Times Higher Education*, 22 February 2018

<sup>4</sup> "[Times Higher Education v-c pay survey 2018](#)", *Times Higher Education*, 22 February 2018

## 2.1 Pay increases

The *THE* pay survey showed that vice-chancellors' pay in 2016-17 had **increased by an average of 3.9%**, or 3.2% when pension contributions were included. This was a bigger increase than the previous year in which their pay and pension contributions rose by 2.2%. Changes to pay varied widely with some vice-chancellors seeing double digit percentage increases and others seeing substantial cuts.

In contrast the average pay of university staff on academic contracts, went up by **0.7%** in 2015-16.<sup>5</sup>

In 2011-12, the year before higher fees were introduced, the average pay package for vice-chancellors, again according to the *THE* survey, was around £247,000.<sup>6</sup> The average annual increase between then and 2016-17 was 3.1%.

### Are pay increases due to fee rises?

It has been suggested that vice-chancellors pay has increased since tuition fees rose in 2012. An article in the *THE* in September 2017 analysed the increase in vice-chancellors' pay since the fee increase and found that a link between fee rises and pay could not be demonstrated:

In terms of when fees rose in 2012, the graph for the top eight risers for vice-chancellor remuneration suggests that there was no sudden uplift, as by and large the increases were relatively evenly spread over the period. However, fees replaced direct grants for teaching slowly over a number of years as each cohort of students paying £9,000 fees started courses, so it is difficult to pinpoint the exact moment when fees changed university finances.

Another way to examine this question is to consider increases in university income – in essence revenue – over the period, since those institutions that may have benefited most from higher fees by increasing their intake would have seen a boost in their overall income (although there are many other factors that could have affected income, of course, including research performance).

Comparing vice-chancellors' pay increases and changes to institutional income over the time frame also appears to suggest no correlation, with universities that saw roughly the same percentage change in income having wildly different uplifts in pay.<sup>7</sup>

### Government urges pay restraint

The government's [annual grant letter to HEFCE in 2017-18](#) set out funding priorities for the year and urged restraint on senior pay:

The Government is clear that efficiency includes demonstrating restraint in senior pay and remains concerned about the substantial upwards drift of salaries of some top management.

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<sup>5</sup> "[Times Higher Education Pay Survey 2017](#)", *Times Higher Education*, 4 May 2017

<sup>6</sup> [Higher education Pay Survey 2013](#), *Times Higher Education*, 28 March 2013

<sup>7</sup> "[Are rising fees bankrolling growth in vice-chancellors' salaries?](#)" *Times Higher Education*, 14 September 2017

We would like to see senior leaders in the sector exercise much greater restraint.<sup>8</sup>

## 2.2 Pay ratio with other academic staff

HEIs have been criticised for paying vice-chancellors significantly more than other academic staff. The latest *THE* survey of academic staff is for 2015-16 when the **average was £49,408**.<sup>9</sup> Other estimates put the median gross annual earnings of full-time 'higher education teaching professionals' at £49,100 in April 2017, up by 2.7% on April 2016.<sup>10</sup>

The debate around vice-chancellors' pay has highlighted the issue of the pay ratio between the vice-chancellor's remuneration and the median earnings of higher education staff. In a number of institutions the pay ratio is high:

The University of Bath's vice-chancellor, Dame Glynis Breakwell, was paid nearly **12 times** the mean average salary at her university in 2015-16, a *Times Higher Education* analysis revealed in November. The head of institution to average salary multiple at the University of Sheffield was nearly 11 to 1 (10.91) that year, followed by the University of Birmingham (10.78) and the University of Exeter (9.75), figures showed.<sup>11</sup>

Evidence submitted to the Education Committee's inquiry on [Value for Money in Higher Education](#) by the Universities and Colleges Employers Association (UCEA) said that the average sector pay ratio in 2016 was **6.3:1** :

The sector-level pay ratio between heads of institution and median employee pay was 6.5:1 in 2016 which has increased from 6.3:1 in 2008.

This sector-level pay ratio (and those in HEIs) remains broadly in line with those seen across the public sector and far below those seen in the private sector.<sup>12</sup>

The UCEA evidence included a comparison with pay ratios in other sectors:

**This sector-level pay ratio (and those in HEIs) remains broadly in line with those seen across the public sector** and far below those seen in the private sector. For example, the ONS's analysis of pay ratios finds that the ratio between median earnings and the highest earner in the civil service is 11.1:1, with individual departments and agencies including the Department for Work and Pensions and the Ministry of Defence at or above 7:1.[3] Our analysis of NHS pay data[4] found that the ratio is 7.3:1 and in local governments[5] it is 6.0:1. In the FTSE100 the average pay ratio between average staff pay and the CEO was 129:1 in 2016 (CIPD, 2017).<sup>13</sup>

<sup>8</sup> Department for Education Grant Letter to HEFCE, [Higher Education Funding for 2017-18](#), 23 February 2017

<sup>9</sup> "[Times Higher Education Pay Survey 2017](#)", *Times Higher Education*, 4 May 2017

<sup>10</sup> [Annual Survey of Hours and Earnings](#), ONS, Table 14

<sup>11</sup> "[Guidance tells vice-chancellors to justify high pay ratios](#)", *Times Higher Education*, 8 January 2018

<sup>12</sup> Education Committee [Written Evidence submitted by the Universities and College Employers Association](#), 14 November 2017

<sup>13</sup> Education Committee [Written Evidence submitted by the Universities and College Employers Association](#), 14 November 2017 para 5.2

## 2.3 Overall staff costs

In 2016-17 UK universities spent a total of almost **£19 billion on staff costs**. This was around 55% of their total expenditure. Spending on staff has increased at a slightly slower rate than overall spending since 2012. The majority of staff costs are for academic staff; £10.4 billion in 2016-17.<sup>14</sup>

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<sup>14</sup> *HE Finance Plus*, HESA



## 3. How is vice-chancellors' pay calculated?

Higher education institutions (HEIs) are independent bodies and their governance procedures are set out in their charters, statutes and ordinances. These documents and detailed regulations prescribe the structure of the management arrangements of universities.

HEIs will have a **governing body** – this may be called the Council in older universities. The governing body makes regulations and is responsible for the overall running of the institution, including setting the academic mission and strategic direction of the HEI and ensuring that the institution is managed effectively and meeting its legal obligations.

The governing body of an HEI is supported in this work by a formal system of standing committees including a **Remuneration Committee** which should be responsible for the determination of appropriate remuneration of the head of institution and senior officers in an HEI.

### 3.1 Remuneration Committees

The [Committee of University Chairs](#) (CUC) is the representative body for the Chairs of UK universities and it publishes guidance for members of HEIs' governing bodies. They have published a document – the [Higher Education Code of Governance](#), December 2014, which states the following on the make-up of Remuneration Committees:

The Remuneration Committee composition **must** include the Chair of the governing body, be composed of a majority of independent members (who, as with audit, may also be drawn from outside the governing body) and have appropriate experience available to it. The Vice-Chancellor or other senior staff may be members of, or attend, the Remuneration Committee but must not be present for discussions that directly affect them.<sup>15</sup>

The [Higher Education Code of Governance](#) is a voluntary Code but all publicly funded HEIs follow the Code - this is recommended by the Higher Education Funding Council for England (HEFCE).<sup>16</sup> The Code states the following principle for Remuneration Committees (p17):

3.16 Remuneration Committee members must consider the public interest and the safeguarding of public funds alongside the interests of the institution when considering all forms of payment, reward and severance to the staff within its remit.

The CUC have also issued a document called *Illustrative Practice Note 1* which provides further guidance on the governance of remuneration. The Note states:

The Remuneration Committee must consider comparative information on the emoluments of employees within its remit

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<sup>15</sup> Committee of University Chairs [Higher Education Code of Governance](#), December 2014, p17 para 3.13

<sup>16</sup> HEFCE was abolished on 1 April 2018 and its functions have been taken over by the [Office for Students](#)

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when determining salaries, benefits and terms and conditions and ensure that all arrangements are unambiguous and diligently recorded.

It must report on its decisions and operation at least annually to the governing body; such a report should not normally be withheld from any members of the governing body.<sup>17</sup>

When considering vice-chancellors' pay the Remuneration Committee may take into account many factors such as: the HEIs performance in the Research Excellence Framework, the National Student Survey and the Teaching and Excellence Framework, data from comparator institutions, and performance in the context of their strategic plan.

An article in the *Times Higher Education* discussed a correlation between performance in the REF and vice-chancellors pay:

analysis of the data reveals a strong correlation between vice-chancellors' pay and the grade point average of their universities in the 2014 REF. On the other hand, this may simply reflect the fact that the highest-scoring institutions tend to be large research-intensives with an international reputation that will always attract the best-paid leaders.<sup>18</sup>

### Vice-chancellors' attendance on Remuneration Committees

In February 2018 the University and Colleges' Union (UCU) published information gathered in response to Freedom of Information requests which showed that in 2016/2017 95% of university leaders were either members of their Remuneration Committee or entitled to attend meetings:

The union sent a Freedom of information request to 158 institutions asking about membership of their remuneration committee - the body that sets vice-chancellor pay - and asked for a copy of the most recent committee minutes.

When asked about the vice-chancellor's membership of the remuneration committee, 15 universities refused to respond and one said they did not have a remuneration committee. Of those that did respond, and had a committee, almost half (47%) said the vice-chancellor was a member. Of the universities who said the vice-chancellor was not a member of the remuneration committee, just seven said they didn't attend its meetings.<sup>19</sup>

Only seven of the 158 institutions surveyed said that their vice-chancellor was in effect barred from attending.<sup>20</sup>

## 3.2 Guidance on remuneration

The HEFCE provided guidance to support governing bodies in their determination of severance payments and the setting of the remuneration of the head of an institution and of staff earning over

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<sup>17</sup> [Written Evidence submitted by the Committee of University Chairs](#)

<sup>18</sup> "[Times Higher Education v-c pay survey 2017](#)", *THE* June 2017

<sup>19</sup> UCU, [95% of UK university heads could attend committee that sets their pay](#), 14 February 2018

<sup>20</sup> "[Majority of university leaders involved in setting their own pay](#)", *The Guardian*, 15 February 2018

£100,000. HEFCE Circular letter [17/2017](#)<sup>21</sup> recommended that Remuneration Committees should consider the following when determining pay:

- a. Consider the remuneration in the context of charity law – namely the obligation for trustees to use charity funds and assets only to further their charitable purposes
- b. Follow the principles of the Higher Education Code of Governance published by the Committee of University Chairs
- c. Have regard to the ‘The Good Pay Guide for Charities and Social Enterprises’ guidance for charities issued by the Association of Chief Executives of Voluntary Organisations.
- d. Consider legal advice, if the governors feel that this is necessary to inform their decision-making.

### 3.3 CUC consultation on Draft Guidance on Remuneration

In December 2017 the CUC launched a consultation on a new draft set of guidelines to determine how universities should approach senior pay. The [Draft Remuneration Guidance](#) consultation closed on 12 March 2018. It is anticipated that final guidance will be agreed at the CUC Spring meeting, for implementation from September 2018.<sup>22</sup>

The Draft Guidance provides a Code for Remuneration Committees and aims to support and promote transparency over pay and to create a better understanding of decision making around pay. It may also introduce a more equitable system of pay across higher education academic staff.

The Guidance suggests that HEIs should **comply with the code or justify divergence** from it:

institutions should either publicly state that they have abided by the minimum requirements of the code, or should provide meaningful explanations for non-compliance.<sup>23</sup>

The Guidance sets out the following “elements of fair and appropriate remuneration”:

Fair and appropriate remuneration requires three key elements – namely that there is:

1. a fair, appropriate and justifiable level of remuneration;
2. procedural fairness; and
3. transparency and accountability.

Each of these elements must be underpinned by a number of supporting principles.

The Draft Guidance states that “remuneration must take account of the **context** in which the institution operates” and “remuneration must be

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<sup>21</sup> HEFCE Circular 17/2017 “[Guidance on severance pay and the remuneration of senior staff](#)”, 15 June 2017

<sup>22</sup> [Can the HE sector govern its own pay?](#) Wonkhe 10 January 2018

<sup>23</sup> Code para 15

**linked to the value delivered by an individual acting within a role**". It also introduces a new concept that "senior post holder remuneration should be determined in the context of each institution's approach to rewarding all its staff" and that "institutions must **publish a pay multiple** and how that multiple has changed over time." The Guidance states that:

Institutions should set themselves a range of pay multiple that is acceptable. Over 80% of institutions currently sit **within the range 4.5 to 8.5**. Institutions that wish to position themselves outside of this range will need to be prepared to justify to stakeholders and their regulator why this is desirable.<sup>24</sup>

The Guidance also significantly states that Heads of Institutions –vice-chancellors - **must not be a member of the Remuneration Committee**.

The HE Remuneration Code also lays down principles on severance pay and extra-curricular earnings:

Any severance payments must reasonable and justifiable

There should be a clear and argued rationale for the retention of any income by an individual generated from external bodies in a personal capacity.<sup>25</sup>

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<sup>24</sup> CUC [Draft Remuneration Guidance](#), December 2017 para 64

<sup>25</sup> The HE Remuneration Code Principles i and j

## 4. The Higher Education Senior Staff Remuneration Code

On 6 June 2018 the Committee of University Chairs published a final version of a new voluntary Code - [The Higher Education Senior Staff Remuneration Code](#). This document contained many of the elements in the Draft Code and added some detail such as:

- institutions should give consideration annually to the rate of increase of the average remuneration of all other staff when setting the vice-chancellors' pay, and
- institutions should publish the pay multiple of the vice-chancellor compared to the median earnings of the institutions whole workforce, illustrating how that multiple has changed over time and, if it is significantly above average, an explanation of why.<sup>26</sup>

The Code also states that:

Institutions that position themselves in the highest quintile will need to be prepared to provide additional explanations to stakeholders and their regulators as to why this is desirable.<sup>27</sup>

The final Code was described by the University and Colleges Union as 'woefully inadequate':

The University and College Union said that the code did not go far enough, highlighting that many vice-chancellors still attended remuneration committee meetings, leaving the room when their own salary is discussed, even if they were not members of the panel.

"This woefully inadequate code is nothing more than another plea for restraint to a group of people who have ignored every previous request," said Sally Hunt, UCU's general secretary. "It is staggering that it does not even ban vice-chancellors from attending the meetings where their pay is set. A bizarre gentleman's agreement where the boss steps outside while their pay is discussed is not how you tackle excessive pay."<sup>28</sup>

"Universities needed to "balance the need for recruiting the best talent with the need to demonstrate value for money".

Chris Sayers, CUC chair, [Times Higher Education](#), 6 June 2018

<sup>26</sup> CUC [The Higher Education Senior Staff Remuneration Code](#), June 2018 p 4

<sup>27</sup> *Ibid* p6 para 10c

<sup>28</sup> "[New rules on UK vice-chancellors' pay 'woefully inadequate'](#)", *Times Higher Education*, 6 June 2018

## 5. Regulation of senior staff pay

The regulation of vice-chancellors' pay was raised during Prime Minister's Questions on 21 March 2018:

**Michelle Donelan** (Chippenham) (Con)

The Select Committee on Education recently interviewed a panel of university vice-chancellors who failed to recognise that their salaries are outrageous, being twice that of the Prime Minister and mainly funded by the taxpayer and student debt. Given that these outrageous salaries are paid in even the poorest performing universities, will the Prime Minister confirm that this situation will be looked at in the post-18 education review? [904503]

**The Prime Minister**

My hon. Friend has raised a point that others are concerned about as well. Of course, universities are autonomous from Government, so it is up to them how they set the pay of their vice-chancellors and what level they set it at, but they should recognise that students and taxpayers are all contributing to our higher education system and expect value for money. The Office for Students which has now been set up will be acting to ensure greater transparency in relation to senior staff pay and requiring a justification for the total remuneration package that is awarded to the head of the provider and the provider's most senior staff, so we will now start to see a light being shone very clearly on the issue that my hon. Friend raises. [[HC Deb 21 March 2018 c227](#)]

### 5.1 Role of the Office for Students

The government has said that the Office for Students (OfS) will have a role in senior staff pay as part of its remit to protect value for money for the taxpayer<sup>29</sup>:

The [Strategic Guidance letter](#) from the Department for Education to the OfS in February 2018 set out the government's priorities for the OfS and included a focus on senior staff remuneration under its remit on delivering value for money for the student and taxpayer:

would also ask the OfS to work with the sector to ensure good governance, effective and efficient use of resources, including around senior staff remuneration, as well as engaging closely with the sector on its own self-regulation in this area.<sup>30</sup>

From 2019/20 the OfS will administer a new regulatory system which will include managing a register of higher education providers. The OfS's [Regulatory framework for higher education in England](#) states that as a condition of registration providers must include specific details in their annual financial statements as set out in an 'accounts direction'. The accounts direction states that information on senior pay must be included in accounts:

The accounts direction will include, but not be limited to, the disclosures that the OfS requires in relation to:

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<sup>29</sup> [HL Deb 11 December 2017](#)

<sup>30</sup> [Strategic Guidance to the Office for Students – Priorities for Financial Year 2018/19](#), 20 February 2018 p3

- a. Senior staff pay in all registered providers.
- b. Those providers that are exempt charities.

The OfS's first accounts direction will require disclosures that include, but are not limited to:

- a. The number of staff with a basic salary of over £100,000 per annum, broken down into bands of £5,000.
- b. Full details of the total remuneration package and job title for each member of staff with a basic salary of over £150,000 per annum, including bonuses, pension contributions and other taxable benefits.
- c. A justification for the total remuneration package for the head of the provider and the provider's most senior staff.
- d. The relationship between the head of provider's remuneration and that of all other employees, expressed as a pay multiple.<sup>31</sup>

The Chief Executive of the OfS Nicola Dandridge has said that the OfS would intervene on pay in certain circumstances:

The Office for Students will be forced to intervene on vice-chancellor pay if English institutions "do not exercise restraint", said Nicola Dandridge, the organisation's chief executive.

"There is a need for change in the process around setting remuneration, and the proposed code makes significant proposals in this area. In particular, the references in the draft code to the need to justify pay in a public and transparent way are important, as is the role of benchmarking," she said. "One needs only to look to other leadership positions in public life to see that senior pay in higher education is out of kilter with comparable roles. Appropriate benchmarking will help remuneration committees to set pay levels that reward performance in a fair and justifiable way.

"The code is necessary, but in itself insufficient. We also need to see leadership from institutions in setting fair remuneration – people are rightly concerned by the level of pay, not just the process. Exceptional performance, clearly tied to exceptional outcomes, absolutely deserves exceptional pay. But, by definition, not every vice-chancellor can perform exceptionally. Where the level of pay cannot be justified, it should be reviewed."<sup>32</sup>

Sam Gyimah, the Universities Minister stated in his [evidence](#) to the Education Committee inquiry Value for Money in Higher Education that the OfS would increase transparency around vice-chancellors' pay:

In terms of action on pay that has been taken so far, for me the first and most important one is that vice-chancellors can no longer set their pay. The Committee of University Chairs has put in place a code for all institutions to look at this. What happened before was that vice-chancellors sat on the remuneration committee and they would obviously recuse themselves when their own pay was being discussed. Now, even in FTSE 100 companies you cannot sit on your own remuneration committee and say, "I was not in the room so it has nothing to do with me".

[...]

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<sup>31</sup> OfS, [Securing student success: Regulatory framework for higher education in England](#), February 2018 p118

<sup>32</sup> "[Guidance tells vice-chancellors to justify high pay ratios](#)", THE

The second thing is that the OfS has a real focus on top pay within our universities. In its first accounts direction it set out the requirements for the content and publication of providers' audited financial statements. They will have to publish the number of staff with a basic salary of more than £100,000 per annum, broken into bands of £5,000. They will ask for full details of total remuneration packages and job titles of staff with basic salaries over £150,000 including bonuses, pension contributions and taxable benefits. This is bringing in real transparency, and not just transparency in terms of sharing the numbers. We want to see a justification for the total remuneration package for the head of the provider and the provider's most senior staff. They have to explain why that person deserves that pay package.<sup>33</sup>

### OfS to publish details of remuneration packages

On 19 June the OfS announced that it would publish details of total remuneration packages paid to vice-chancellors in an annual report:

universities will need to provide the Office for Students with details about the total remuneration package paid to their vice-chancellor, and will be required to justify those salaries. The OfS will then publish full details of those salaries in an annual report in order to secure greater transparency.<sup>34</sup>

An OfS News Blog contained a statement on the requirement by Nicola Dandridge:

Nicola Dandridge, chief executive of the Office for Students, said:

'Students and taxpayers need to be confident that our university leaders are paid appropriately and deliver value for money. High levels of pay that are out of kilter with pay levels elsewhere and which cannot be justified are unacceptable.

'The Office for Students is today setting out our increased expectations around senior pay. Higher education providers will have to give us full details of the total pay package of their vice-chancellor. In addition, they will have to provide detailed justification of this package.

'As part of this, we will be looking at the ratio between the head of institution's pay and the pay of the other staff at the institution. This will provide additional visibility and transparency – and enable us all to ask tough questions as necessary.

'These disclosures will become part of our regulatory requirements, and if a provider fails to comply with these requirements or fails to provide justification this may amount to a breach of our regulatory conditions, and we will not hesitate to intervene.'

Our accounts direction, which gives guidance to providers on preparing their annual financial statements, requires providers to supply a range of information about the financial arrangements for their head of institution, including:

- full details of the total remuneration package, including basic salary, any performance-related pay, pension contributions, and other taxable and non-taxable benefits

"These disclosures will become part of our regulatory requirements. If a provider fails to comply with these requirements or fails to provide justification this may amount to a breach of our regulatory conditions, and we will not hesitate to intervene."

Nicola Dandridge,  
chief executive OfS,  
[Guardian](#), 19 June  
2018

<sup>33</sup> Education Committee Oral evidence: [Value for money in higher education](#), HC 343 Tuesday 24 April 2018 Qs 385-387

<sup>34</sup> OfS News and Blog, [Vice-chancellors must justify their salaries, which will be published annually](#), 19 June 2018



- a justification for the package
- the relationship between the head of provider's remuneration and that for all other employees in their institution, expressed as a pay multiple.

The justification must include an explanation of what value the head of institution has delivered, and the process by which their performance was judged.

Providers must also disclose the number of staff (anonymised) with a basic salary of over £100,000 per annum, broken down into bands of £5,000.<sup>35</sup>

Sally Hunt of the University and Colleges Union made the following comment:

Sally Hunt, the UCU's general secretary, said that the new rules would have a limited impact.

"While a focus from the Office for Students on vice-chancellor pay is welcome, much of the information being called for is already available in universities' accounts or through Freedom of Information requests," she said.

"Asking institutions to justify high pay for senior staff is all very well, but they need to do much better than complaining about how they're being paid less than bankers or footballers. This new guidance seems to allow universities to simply craft excuses for vice-chancellors to hide behind.

"If university leaders are to be held genuinely accountable to students, staff and taxpayers alike, we need proper student and staff representation on the committees that set their pay."<sup>36</sup>

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<sup>35</sup> OfS News and Blog, [Vice-chancellors must justify their salaries, which will be published annually](#), 19 June 2018

<sup>36</sup> "[English regulator's promise on v-c pay 'doesn't go far enough'](#)", *Times Higher Education*, 19 June 2018

## 6. Pay comparisons

The written [evidence](#) submitted to the Education Committee inquiry into [Value for Money in Higher Education](#) by the CUC contained a comparison of the pay of heads of HEIs in other countries in 2015. The evidence stated that vice-chancellors pay in the UK was lower than in several other countries:

figures provided by University and Colleges Employers Association (UCEA) suggest that looking at international comparisons Vice Chancellor **pay in the UK is below that of other countries.**<sup>37</sup>

The evidence showed that the highest median pay was £402,461 and this was awarded in Australia.

### 6.1 Comparison with other sectors

An analysis published in the *Times Higher Education* compared vice-chancellor pay with senior salaries at other large public sector and not-for-profit organisations with universities:

But **there are many more public-sector employees earning much more than £150,000**, says Michael Nisbet, an economist and retired management consultant who has researched senior pay across all sectors. Based on figures collected by the Office for National Statistics' Annual Survey of Hours and -Earnings, about one in 100 public-sector employees (some 43,000 in total) earns more than £113,000, while salaries in excess of £200,000 are not uncommon for chief executives regarded, like vice-chancellors, as being within the public or the not-for-profit sector, Nisbet says.

For instance, Jim O'Sullivan, chief executive of Highways England, received £336,868 in 2016-17 for leading an organisation with about 4,400 staff – a workforce equivalent to a mid-sized university. In comparison, the median pay of vice-chancellors leading universities with 2,000 to 5,000 staff was £255,000 in 2015-16, Nisbet calculates.

That discrepancy is not a one-off: the UK's five largest housing associations pay their chief executives a median salary of £358,000 a year for leading workforces that all number about 5,500 staff.

Someone leading a UK university with between 5,000 and 9,000 full-time staff – Russell Group universities employ about 7,000 staff on average – receives a median of £298,000 in pay, Nisbet calculates. Far smaller public-sector organisations pay their leaders larger amounts, he adds: for instance, the Civil Aviation Authority, with fewer than 1,000 staff, paid its chief executive, Andrew Haines, some £356,400 in 2016-17, its latest accounts show.

A more realistic view of executive pay within both the public and private sectors is needed, Nisbet says. He calculates that about 20,000 people in the UK earned more than £320,000 last year – but only 14 vice-chancellors had salaries above this level in 2015-16.

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<sup>37</sup> [Written Evidence submitted by the Committee of University Chairs](#), October 2017 para 17

Overall, the median pay for university heads in 2016-17 was £261,289, or £287,000 when pension contributions are included.<sup>38</sup>

However an article in the *Guardian* in March 2018 suggested that a number of vice-chancellors were paid “well above the chief executives of NHS hospital trusts and local authorities in a number of cities in England”.<sup>39</sup>

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<sup>38</sup> [“The Times Higher Education v-c pay survey 2018”](#), *Times Higher Education*, 22 February 2018

<sup>39</sup> [“University vice-chancellors are paid far more than public sector peers”](#), *The Guardian*, 11 March 2018

## 7. Issues

### 7.1 Benchmarking pay against other HEIs

It has been suggested that problems with high salaries have been 'compounded by the use of benchmarking data from the sector by remuneration committees'.<sup>40</sup> Comparing pay between HEIs could lead to inflation in senior pay.

The CUC Draft Guidance states that where comparator data is used to help HEIs set pay the institutions selected should be disclosed.<sup>41</sup>

### 7.2 Pay and performance

It has been suggested that vice-chancellors pay should be based on their performance and there have been criticisms that vice-chancellors of some of the poorest performing universities are among some of the highest paid.<sup>42</sup>

An analysis by the *Sunday Times* in 2017 compared where a vice-chancellor's pay package ranked on a national league table with the institution's performance in the newspaper's Good University Guide. The analysis showed that some vice-chancellors were well paid despite running poorly performing universities. Under the *Sunday Times* analysis highly paid vice-chancellors such as Professor Breakwell at Bath University come out well due to their university's high ranking in the league tables.

John Raftery, vice -chancellor of London Metropolitan University has argued that "salaries should not be decided by the prestige of an institution, perhaps not even on its size, but on the demands of the job and the change they bring".<sup>43</sup>

### 7.3 The HE vice-chancellor 'market'

Universities are multi-million pound businesses and they operate in a complex policy environment. Leaders who are shown to have achieved good results for their HEIs are in demand and pay is high to reward these individuals and to incentivise them to stay rather than to move to another more highly paid role.

Tim Bradshaw chief executive of the Russell Group said that pay levels were important to "attract and hold on to the right people to run these large, complex, global operations to deliver the best outcomes for their students and to society at large".<sup>44</sup>

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<sup>40</sup> "[Universities – takeback control of your vice-chancellors' spiralling salaries](#)" *The Guardian*, 11 January 2018

<sup>41</sup> "[Guidance tells vice-chancellors to justify high pay ratios](#)" *Times Higher Education*, 9 January 2018

<sup>42</sup> "[Top earners head worst universities](#)", *The Times*, 31 December 2017

<sup>43</sup> "[The Times Higher Education v-c pay survey 2018](#)", *Times Higher Education*, 22 February 2018

<sup>44</sup> "[Russell Group vice-chancellors' pay averages nearly £332k](#)" *Times Higher Education*, 11 January 2018

The influence of the global market on pay has also been raised by the CUC:

John Rushforth, executive secretary of the Committee of University Chairs, the UK association for university governing bodies, said that the nature of the global market “can certainly influence the level of pay at recruitment stage, and then again it can also influence the pay of existing vice-chancellors, since institutions will want to retain a successful [head]”.

He added that although not all universities recruit internationally, there could also be a “trickle-down effect” of higher pay packages to other institutions, especially as there is transparency on pay with remuneration levels published in financial accounts.<sup>45</sup>

## 7.4 Voluntary nature of the remuneration code

The CUC HE Remuneration Code has been criticised for being voluntary and for lacking teeth. Sally Hunt of the University and College Union (UCU) has said:

“If we are serious about tackling the problems of senior pay and perks in our universities, then we need a body not so closely linked to vice-chancellors to look at it.

“Last month the CUC said it saw no evidence that most vice-chancellors are paid an unreasonable amount. Ministers have been calling for a check on massive pay hikes for university leaders for years and we have highlighted how many sit on the remuneration committee that sets their own pay.

“The time has come for vice-chancellors and their supporters to be removed from the setting of their pay and a national register of senior pay and perks.”<sup>46</sup>

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<sup>45</sup> “[Are rising fees bankrolling growth in vice-chancellors’ salaries?](#)” *THE*, 14 September 2017

<sup>46</sup> “[Universities will have to justify excessive senior pay under new rules](#)” *The Guardian* 12 January 2018.

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