

FALMOUTH UNIVERSITY

SENIOR MANAGEMENT TEAM PERFORMANCE RELATED PAY SCHEME

EFFECTIVE FROM: 1 AUGUST 2020

REVIEW DATE: 31 JULY 2023

CONTRACTUAL STATUS: NON-CONTRACTUAL

Compiled by the Human Resources Department

REWARDING EXCELLENCE – PERFORMANCE RELATED PAY SCHEME

THIS DOCUMENT SETS OUT THE TERMS OF FALMOUTH'S PERFORMANCE RELATED PAY (PRP) SCHEME AS THIS APPLIES TO ITS SENIOR MANAGEMENT TEAM (SMT)

1. Context

- 1.1 Falmouth's Staff Incentivisation & Reward Strategy sets the underlying principles through which Objective 4 of the People Strategy 'To recognise and reward high performing staff' will be delivered.

These are summarised under 6 headings:

- Alignment with the University's strategic objectives and values
- Incentivising a culture of achievement
- Affordability
- Governance
- Equality and parity
- Flexibility

Each of these are defined more fully within the Staff Incentivisation & Reward Strategy.

2. Purpose of the Scheme

- 2.1 The PRP Scheme is one mechanism used by Falmouth to motivate and reward key staff for their role in supporting and delivering its strategic objectives.
- 2.2 It is designed to incentivise and reward the SMT in the delivery of the overall budgeted institutional financial surplus and Strategic Plan, and is intended to complement Falmouth's other arrangements for recognising and rewarding staff.
- 2.3 The principal aim of the revised scheme is to drive an approach that produces tangible additionality or 'added value' for the University. Specifically that it should visibly reward the 'change makers' and 'heavy lifters' who deliver 'added value' in any year. Specifically it should:
- Reward added value above and beyond the job description or 'day job' and therefore should not be seen as an automatic right, or guarantee that is connected to a job or role.
 - Increase the emphasis on tangible, measurable, results and outputs.
 - Highlight the concept of 'added value' and exceptional performance.
 - Reward outputs that demonstrably deliver the University's Strategic Plan.
 - Establish a clear link between reward and the delivery of the Strategic Plan and overall institutional financial performance.
 - Drive a clear focus on delivery of the Business Plan, efficiency gains and increasing financial surpluses.
 - Reward the delivery of financial targets

In summary this scheme makes a clear distinction between the reward staff receive for doing their "day job" and doing this really well in the form of basic salary and benefits, and any additional PRP they may receive which has to be linked to exceptional, measurable value adding performance.

3. Scope

- 3.1 The scheme is open to all members of the Vice Chancellor's Executive Group (VCEG) and Academic Directors (see list of Designated Post Holders attached to Remuneration Committee Terms of Reference). Other individuals may also have access to PRP for delivery of specific project outcomes and where this is the case they will be notified directly.
- 3.2 In order to be eligible for PRP payments staff will be required to have been employed in an eligible role for a minimum of six months prior to the end of the year under review.
- 3.3 Payments under this scheme will not be made to staff who have left the employment of the University at the time the review is conducted (normally Oct/Nov of the year following the year under review), regardless of whether they were employed for any part or the whole of the year under review.
- 3.4 Falmouth reserves the right to suspend the scheme or not to make an award during a particular academic year. Such a decision would normally be because of financial or other business performance challenges, or for other good and urgent cause.
- 3.5 The conditions and parameters of this scheme may be reviewed, changed or withdrawn at any time with the approval of the Remuneration Committee of the Board of Governors.

4. Structure of the Scheme

4.1 The scheme has two structures as follows:

- I. Calculation of PRP for those who are members of the Vice Chancellor's Executive Group – see section 5.
- II. Calculation of PRP for Academic Directors and other nominated individuals – see section 6.

This difference in calculation is intended to ensure that payment is linked to factors that each individual has the ability to materially impact.

Whilst the individual calculation for the value of payment for both sections of the PRP scheme will differ as outlined in sections 5 and 6 below, Paragraphs 4.2 to 4.6 are applicable to all PRP payments.

- 4.2 Awards are considered annually by the Remuneration Committee based on performance in the past academic year (running from 1 Aug to 31 July each year). Awards are usually considered in October/November each year for the preceding academic year. This allows time for a proper assessment of the outputs for the year under review.
- 4.3 There shall be two remuneration committees as follows:

The Remuneration Committee of the Board of Governors who shall review the following designated post holders:

- Vice-Chancellor

- Provost
- Deputy Vice-Chancellor (Research & Innovation)
- Chief Operating Officer
- Chief Marketing Officer
- Strategic Advisor to the Vice-Chancellor, & Secretary to the Board of Governors

The Executive Remuneration Committee shall be responsible for reviewing all individuals with eligibility to PRP other than those listed above.

- 4.4 PRP will be based on a percentage of total basic annual salary for the group under consideration. For the year under review, the allocation available will be based on 10% of the total basic salaries of the eligible staff group. The Remuneration Committee of the Board of Governors have the ability to amend this figure for future years.
- 4.5 The payment of any element of the PRP scheme will normally be contingent on the achievement of the overall institutional budgeted surplus, although the Remuneration Committee of the Board of Governors have the authority to determine otherwise if they see fit. No payments for PRP shall be released to any participating employee until the Remuneration Committee of the Board of Governors have given approval, having considered the financial performance and achievement of the institutional surplus.
- 4.6 Provision for this scheme is to be built into the annual budget setting process.

5. Calculation of PRP for members of the Vice Chancellor's Executive Group (VCEG)

- 5.1 The scheme has two elements:

Firstly, a **group element** of up to 5% of each eligible member's annual basic salary that is payable to all eligible members if the following institutional objectives for the year in question are delivered:

- Achievement of budgeted surplus – 1% available
- Achievement of budgeted income targets – 2% available
- Achievement of diversification objectives – 1% available
- Achievement of metrics related to teaching excellence – 1% available

Tapered institutional performance targets may be agreed for the year in question, which detail specific sub-targets for full achievement and partial achievement from 85%-95%.

Tapered targets avoid 'cliff edge' decisions, for example where a multi-million pound target is missed by a tiny margin, and enables the Remuneration Committee to reach a transparent, data-driven decision on the institutional performance each year as it relates to PRP.

Secondly, an **individual element** related to the contribution of that individual to the overall surplus and based on their delivery of 'value added', transformational change and/or the delivery of a substantial new business benefit.

In general it is not expected that this element will be paid at all if the relevant departmental budget is not delivered, although the Remuneration Committee of the Board of Governors have the authority to determine otherwise if it sees fit.

For the year under review a total of 5% of eligible member's annual basic salary is to be linked to this element.

- 5.2 In relation to the group element, the committee will consider the financial statements and key internal and public data on Falmouth's performance metrics for the year under review to determine whether this element should be payable or not.
- 5.3 In relation to the **individual element**, the individual's line manager is responsible for recommending awards for all Senior Post Holders who are eligible for PRP. The Chair of Governors is responsible for recommending the award for the Vice-Chancellor. Proposals should be presented to the October meeting of the relevant Remuneration Committee and shall consist of a paper outlining, for each member of the senior management team eligible for PRP, his/her assessment of their success in meeting the criteria. Appendix 1 provides a sample document for this purpose. The Chair of Governors will present a paper to the Remuneration Committee of the Board of Governors setting out his/her assessment of the Vice Chancellor's success in meeting the criteria.
- 5.4 All Awards are subject to approval by the Remuneration Committee of the Board of Governors.

6. Calculation of PRP for Academic Directors and other designated senior managers

The full PRP entitlement shall be based on an **individual element** related to the contribution of that individual and based on their delivery of 'value added', transformational change and/or the delivery of a substantial new business benefit.

The assessment of performance of Academic Directors shall be made against the following criteria:

- Achievement of Departmental budget targets – gateway for payment
- Achievement of Departmental student recruitment targets – 2% available
- Achievement of Departmental student retention targets – 2% available
- Achievement of Departmental student satisfaction targets – 2% available
- Achievement of Departmental income and product diversification targets – 2% available
- Development of personal and Departmental Research & Innovation impact – 2% available

The assessment of performance of other designated senior managers shall be made based on performance against personal objectives that are set and agreed at the start of the year under review.

The individual's line manager is responsible for recommending awards and proposals should be presented to the October meeting of the relevant Remuneration Committee and shall consist of a paper outlining, for each member of the senior management team eligible for PRP, his/her assessment of their success in meeting the criteria. Appendix 1 provides a sample document for this purpose.

In general it is not expected that this element will be paid at all if the relevant departmental budget is not delivered, although Remuneration Committee have the authority to determine otherwise if it sees fit.

A total of 10% of eligible member's annual basic salary is to be linked to this element.

7 Process During the Committee

- 7.1 **Sequencing of Committees** – The Remuneration Committee of the Board of Governors will meet first in order to confirm whether any awards are payable and if so to determine the level of award that is related to the group element.
- 7.2 **Group Element** - The Remuneration Committee of the Board of Governors will first review the financial statement and key internal and public data on Falmouth's performance metrics for the year under review and confirm whether targets have been delivered. If this is the case then an award of up to 5% of basic salary will be awarded to each eligible member of the VCEG. If the targets have not been delivered, then it will record either a decision not to pay this element of the PRP award at all, or to make a reduced award which will be applicable to all eligible members of the VCEG and designated senior managers. In either case the reasons for the decision will be recorded by the servicing officer.
- 7.3 **Individual Element** - The committees will consider and review the recommendations and information presented to the committee as set out at Paragraphs 5. and 6 above. This review will seek to ensure that the assessment process has been applied consistently and that there is consensus amongst the committee on the level of achievement of each individual. Where consensus cannot be reached, the decision of the Chair will be final. The committees will then determine the % PRP to be awarded for this element.
- 7.4 When the decisions arising out of paragraphs 5.1, 5.2 and 6 above are applied, the committee will then be able to assess whether there are any funds remaining from the overall allocation for PRP for the eligible members of SMT. Where there are funds remaining, the Remuneration Committee of the Board of Governors may, at its entire discretion decide to award additional amounts to individual members of staff under consideration provided the overall allocation is not exceeded. To support this discussion the Executive Remuneration Committee shall provide recommendations for any individuals reviewed who they believe should be considered for additional amounts. Such awards will normally recognise the most outstanding achievements that have advanced the University's aims beyond expectations. The amounts and reasons for these allocations should be recorded by the servicing officer to the committee.
- 7.5 The award of PRP is entirely at the discretion of the Remuneration Committees and there is no right of appeal in relation to the application of this scheme.

8. Payment of PRP

- 8.1 Payment of PRP will be made with the next available payroll following conclusion of the Remuneration Committees' considerations. Payments are taxable and subject to National Insurance and pension contributions.

8.2 Payments of PRP are pensionable under the terms of both the Teacher's Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). Details of payments made are provided to the pension schemes via the University's normal monthly and annual pensions returns. If you are a member of the Teacher's Pension Scheme, because the year under review (1 August – 31 July) does not match the pension year (6 April – 5 April), the amount of PRP is reported on a pro-rata basis across the two pension years which are spanned for each award. If you are a member of the Local Government Pension Scheme, the amount of PRP is reported in the pension year the award is paid to the individual. Staff need to be aware of their liabilities under the statutory taxation provisions on pensions, and in particular the Pensions Annual Allowance and Pensions Lifetime Allowance provisions. You can find more details of these at the following site:

<https://www.gov.uk/tax-on-your-private-pension>

and at the websites for the two pension schemes:

Teacher's Pension Scheme: <https://www.teacherspensions.co.uk/>

Local Government Pension Scheme: <https://www.cornwall.gov.uk/jobs-and-careers/cornwall-pension-fund/>

Taxation and pensions matters are the responsibility of individual members of staff and staff are strongly advised to seek independent financial advice if they are unsure of the implications of this scheme, or their responsibilities in relation to these provisions in light of their particular circumstances. The University is not permitted to provide individual financial advice.