



# Governance Report

<b>Meeting</b>	Governing Body	<b>Date</b>	08 December 2021
<b>Report Title</b>	Senior Post Holder Remuneration Annual Report	<b>Agenda Item</b>	8b
<b>Author</b>	Governance Advisor & Clerk to the Governing Body	<b>Confidential</b>	Yes

Strategic Objectives		Purpose
Learning	<input type="checkbox"/>	To provide assurance that the Governing Body has a fair, open and sustainable approach to determining senior staff pay. To demonstrate the college's compliance with the senior pay requirements of the AoC Code of Good Governance and the Office for Students.
People	<input checked="" type="checkbox"/>	
Reputation	<input checked="" type="checkbox"/>	
Sustainability	<input checked="" type="checkbox"/>	

Brief Summary
<p><b>Section 1: Approach to Senior Post Holder Appraisal and Remuneration (RAG Rated Green)</b></p> <ul style="list-style-type: none"> <li>The Governing Body (GB) is responsible for setting the pay and conditions of individual Senior Post Holders (SPH) (I&amp;AG Article 3(e) refers). On 27 March 2021, adopted the AoC Senior Staff Remuneration Code and approved a framework for SPH appraisal and remuneration based on the AoC Remuneration Code. The Framework delegates to appointed members of the Search, Remuneration and Governance Committee (SRG), responsibility for determining individual remuneration for each SPH.</li> <li>On 3 November 2021, the appointed members of SRG Committee appraised the performance of SPH in 2020-21 and determined remuneration for 2021-22 (changes are implemented from 1 February 2022). The remuneration that SPH received in 2020/21 was determined on 11 November 2020 and summary information is included in the Annual Members' Report 2020-21.</li> <li>The AoC Code states that colleges 'must' publish a readily accessible annual statement, based on an annual report to its governing body. The report, attached, follows the content and structure specified by the guidance. The GB is asked to approve the draft. SRG Committee did not propose any changes to the Policy other than to update the salary table to reflect the 2020/21 pay award for all staff.</li> <li><b>Rag rating</b>, this section is RAG rated Green because the college complies with its chosen governance code.</li> <li><b>Impact</b>: compliance with the remuneration sections of the AoC Code is a condition of the college's registration with the Office for Students as a higher education provider.</li> </ul>
<p><b>Section 2: Institutional Performance 2020-21 (RAG Rated Green)</b></p> <p>In appraising SPH performance in 2020-21, the appointed members of SRG had regard to the college's performance in 2020-21, including</p> <ul style="list-style-type: none"> <li>learner outcomes had continued to improve to meet or exceed national rates for most provision,</li> <li>continued improvement in the quality of education provision evidenced through the Self-Assessment Review 2020-21 and regular reports on quality monitoring to TLQSE Committee,</li> <li>the impact of leadership on securing the financial performance of the college and affordability,</li> <li>the college's operations through Covid-19, where leaders had performed strongly,</li> <li>positive outcomes of visits by the FE Commissioner's staff interim Ofsted visits and preparations for the next full inspection by Ofsted.</li> </ul>
<p><b>Section 3: External appointments and expenses (RAG Rated Green)</b></p> <p>The Chair of Governors approved the CEP's external appointments and there were no external earnings.</p>

**Financial / Value for Money Implications**

As outlined in the report, SRG considers affordability and benchmarks, as well as college and individual performance when setting SPH remuneration.

**Strategic Implications**

To build and sustain its success, it is vital that the College recruits, retains, develops and rewards the very best leaders in a competitive market.

**Stakeholder Implications**

The Office for Students (OfS) requires publicly funded HE providers to adopt the CUC Senior Staff Remuneration Code, or equivalent, to comply with the general conditions of OfS registration. The remuneration precepts in the AoC Code have been agreed as meeting the expectations of the OfS

Internal and external stakeholders expect publicly funded organisations to behave responsibly on senior pay and use of public funds. Where colleges fail to manage senior pay and expenses in a reasonable manner, the publicity not only reflects badly on that college's reputation but also on the whole sector.

**Legal / Compliance Implications**

As a condition of its funding agreement with the ESFA, the college is required to state whether it has adopted the AoC Code of Good Governance and the sections on senior pay in its annual members' report and financial statements.

**Prior Consideration**

The appointed members of SRG Committee considered SPH Appraisal and Remuneration at its meeting on 3 November 2021, appraised SPH performance in 2020-21 and determined individual SPH pay for 2021-22.

**Decision Sought**

That the Governing Body is asked:

To approve	<input checked="" type="checkbox"/>	To note for information	<input type="checkbox"/>
To receive for assurance (and comment)	<input type="checkbox"/>	To recommend approval to the Governing Body	<input type="checkbox"/>

The Governing Body adopted the annual report as presented for publication on the college website.

**Risks**

(3) Failure to improve the College's financial position by controlling costs may lead to significant intervention by external regulators as well as the banks

(48) Insufficient staff capacity to deliver the changes to the College quickly enough.

## Context

Governing Body is responsible for setting the pay and conditions of the holders of senior posts (IAG Article 3(e) refers). Governing Body delegates to the Search, Remuneration and Governance Committee (SRG), responsibility for determining SPH remuneration, within the approved policy.

The Governing Body agreed to adopt the AoC Colleges' Senior Staff Remuneration Code in March 2019, complying with 'must' statements and having regard to 'should' statements. Governors also agreed proposals for a pay framework for SPH.

The AoC Code was developed with the assistance of the Office for Students (OfS), with the aim of meeting ESFA / OFS regulatory requirements. The Code states that a college 'must' publish a readily accessible annual statement, based on an annual report to its governing body, and specifies the minimum content of the report.

On 3 November 2021, the appointed members of SRG Committee appraised the performance of SPH in 2019/20 and determined remuneration for 2020/21 (changes are implemented from 1 February 2021). The remuneration that SPH received in 2019/20 was determined on 13 November 2019 and summary information is included in the Annual Members' Report 2019/20.

There are no changes to SPH Appraisal and Remuneration Policy recommended for approval.

Note: the structure of this report follows the guidance provided by the AoC in its explanatory notes on the code and the paragraph numbers cross refer to the AoC outline report structure.

## Section 1: Approach to Senior Post Holder Appraisal and Remuneration ()

Green

Search, Remuneration and Governance Committee (SRG) has delegated authority for determining remuneration and conditions of SPH as defined by the college. The committee terms of reference are available [here](#) (PDF 1 page). The roles designated as SPH during 2020-21 were:

- Chief Executive and Principal
- Deputy Chief Executive and Deputy Principal
- Executive Director of People
- Governance Advisor and Clerk to the Governing Body.

The membership of SRG is appointed by the Governing Body. As the committee's remit is wider than remuneration, the Chief Executive and Principal, staff and student governors are permitted to be members of SRG but are excluded from membership for remuneration or performance of SPH. The following members are, or were previously, eligible to be included in the quorum and vote on remuneration decisions.

- Gwyn Arnold, governor (member from 1 August 2019 to present; chair from 1 August 2019 to 31 July 2020, vice-chair from 1 August 2020 to present)
- Ian Falconer, governor (member from 1 August 2018 to present).
- Beri Hare, governor (member from 24 October 2018 to present).
- Stephan Hollingshead, governor (member from 1 August 2019 to present).
- John Mothersole, Chair of Governors from 1 April 2021 (member and SRG chair from 1 August 2020 to present)

In 2020 and 2021, appointed members of SRG Committee met on the dates below to consider SPH appraisal and remuneration.

College year	Meeting date	Members' attendance
2020/21	11 November 2020	100%
2020/21	03 November 2021	100%

The college's key strategic objective in 2020-21 was that by 2021 TSC would "be a consistently great College that puts you at the heart of everything we do". On 31 March 2021, the Governing Body approved a new College Strategy 2021-25, which has as its key objective that by 2025, we [the college] will be leaders in technical and academic education, creating exceptional opportunities for the communities that we serve to realise their aspirations.

To note, the college commissions some of its support services from its wholly owned subsidiary companies (e.g. fixed term and casual appointments from Sparks Teaching Services Ltd; catering and facilities support from Sparks Managed Services Ltd; and certain marketing and business development services from Sparks Solutions Limited). The college median pay figure quoted below, is calculated based on all staff employed by The Sheffield College and its subsidiary companies.

The Sheffield City Region and South Yorkshire generally is a highly competitive environment for further education, with several public and private providers of further education, training and apprenticeships. In addition, many of the region's FE colleges provide higher education (HE) and there are two large publicly funded HE institutions.

The Governing Body has agreed the following fundamental principles to guide all decisions related to remuneration (TSC Appraisal and Remuneration Policy refers).

- To ensure compliance with relevant regulatory frameworks;
- To ensure that The Sheffield College has a fair and competitive salary offer that enables the attraction and retention of high quality people to SPH roles;
- To ensure that decisions made are fair, appropriate and justifiable;
- To have a fair procedure for making decisions;
- To meet the requirements for transparency and accountability;
- To ensure SPH pay achieves value for money in the use of resources. This includes ensuring that pay awards are affordable in the context of The College's financial performance.

The approach to setting remuneration is:

- **Pay bands:** SRG has agreed a pay band for each SPH post with a minimum and maximum annual salary. The band is set by considering the value of the role, informed by the consideration of items including but not limited to:
  - job role, as described in the job description;
  - pay of comparable roles in other colleges, which may include consideration of the AoC senior pay survey.
- **Annual review of pay band:** to ensure the bands remain relevant and adequate they are reviewed annually, considering the same factors as the setting of the bands, as above. In considering benchmark information from the AoC Senior Pay Survey, SRG has regard to the size of the colleges in the benchmark group i.e. currently £50m+.
- **Annual review of individual SPH pay within a band, considering the following factors:**
  - Individual performance against objectives, as assessed in the 'Go Further' review, which will be conducted by the Chair of Governors for the Chief Executive and Principal and Clerk and by the Chief Executive and Principal for other Senior Post Holders;
  - College performance against objectives;
  - The affordability of any pay award;
  - The fairness of any pay award set in the context of pay awards to other employees of The Sheffield College and its subsidiaries.

In considering individual SPH reward, SRG considers SPH performance against a balanced scorecard of objectives agreed at the beginning of the year. The objectives include support for the college's strategic objectives relevant to the role in areas such as:

- achievement of objectives within their remit including equality objectives, such as closing performance gaps of groups sharing different protected characteristics;
- teaching, learning and outcomes for students;
- management, financial performance and administration;
- leadership of staff and leadership behaviours that demonstrate the College values;
- stakeholder, partner and employer satisfaction;
- external relations nationally and locally;
- major initiatives and projects.

In implementing the framework, SRG has regard to data from ESFA financial data (on benchmarks and financial health score); educational performance data; AoC for senior pay survey; and internal reports on College performance against national benchmarks and internal targets.

The Governing Body agreed that the SPH remuneration framework should, as far as possible, reflect the structure applying to other Sheffield College employees i.e. a defined scale of reasonable remuneration points with annual cost of living pay rises and a set number of pay points to be used to reflect knowledge and skills on appointment and reward performance as staff demonstrate higher levels of contribution. In addition to pay, SPH, like other college employees are eligible to join either the Teachers' Pension Scheme or the Local Government Pension Scheme.

No SPH currently receives separate performance related pay. For the SPH, the move to a higher pay point within a band is not automatic and SRG determines any changes based on the factors outlined above. See appendix A: Appraisal and Remuneration-Setting Process for Senior Post Holders.

As above, SRG considers benchmarking information from the AoC senior pay survey when it reviews the band for each role to ensure that the band remains comparable with colleges of a similar size.

The current value for the college of the pay multiple of Chief Executive/Principal earnings against the median of all staff, as published in the Members' Report and Financial Statements for 2020/21 is:

	2021	2020
Chief Executive & Principal's basic salary as a multiple of the median of all staff	670%	605%
Chief Executive & Principal's total remuneration as a multiple of the median of all staff	731%	638%

The total remuneration for the Chief Executive and Principal in 2020/21 was as follows.

	2021 £'000	2020 £'000
Basic salary	157	150
Performance related pay and bonus	-	-
Benefits in kind	-	-
Pension contributions	37	35

The 2021 data reflects the decisions of SRG implemented from 1 February 2021. The Chief Executive/Principal declined the college cost of living pay award of 2%.

## Section 2 - Institutional Performance 2020-21

Green

At its meeting on 3 November 2021, SRG considered SPH remuneration in the context of performance in 2020-21 with a view to confirming salaries from 1 February 2022 and its discussion included the following main points:

- learner outcomes had continued to improve to meet or exceed national rates for most provision,
- continued improvement in the quality of education provision evidenced through the Self-Assessment Review 2020-21 and regular reports on quality monitoring to TLQSE Committee,
- the impact of leadership on securing the financial performance of the college and affordability,
- the college's operations through Covid-19, where leaders had performed strongly,
- positive outcomes of visits by the FE Commissioner's staff interim Ofsted visits and preparations for the next full inspection by Ofsted.
- members were satisfied that the college's pay bandings remained appropriate in the context of the benchmarking information from the AoC senior pay survey 2021 for similar roles in FE colleges with £50m+ turnover.

In the context of this discussion, and the other points referred to above, SRG approved pay points for each SPH.

### Next Steps

The new salaries will come into effect from 1 February 2022 and will be reported in the 2021-22 annual accounts and remuneration report.

## Section 3: External appointments and expenses

Green

The college includes an exclusivity of service clause in its SPH employment contract, which requires an SPH to obtain express permission from the corporation for external work (including remunerated and unremunerated activity). In the event of an SPH requesting approval of external work, the Vice Chair of SRG, as the Chair for remuneration business, would determine what if any of the external remuneration could, in principle, be retained by the individual and the justification for this. The final decision about the total level of remuneration for each SPH annually (including any element of external income) is decided by SRG, as above.

The Chief Executive and Principal has not received any income from external appointments in the period.

The Sheffield College Travel and Expenses Policy provides that the college shall bear the costs of properly budgeted, authorised and receipted travelling and subsistence expenditure incurred by employees wholly, exclusively and necessarily in the performance of the duties of employment. In 2020/21, expenses were paid to 5 members of the college Executive Leadership Team (ELT) totalling £157 to 2 members of ELT (2019/20, £2158 to 5 members of ELT).

To ensure there is oversight of college expenditure on executive travel, the Chair of Governors receives periodic reports on travel, accommodation and meals that are pre-booked by the college for ELT members. The Chair also approves reimbursement of any out of pocket expenses for the Chief Executive/Principal.