



Governance Report

Meeting	Governing Body	Date	14 December 2022
Report Title	Senior Post Holder Remuneration Annual Report 2021-22 and Policy Review	Agenda Item	08c
Author	Governance Advisor & Clerk to the Governing Body	Confidential	Yes

Strategic Objectives		Purpose
Learning	<input type="checkbox"/>	To provide assurance that 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>Section 1: Approach to Senior Post Holder Appraisal and Remuneration (RAG status: GREEN)</p> <ul style="list-style-type: none"> The Sheffield College Governing Body (GB) is responsible for setting the pay and conditions of individual Senior Post Holders (SPH) (I&AG Article 3(e) refers). On 27 March 2019, GB 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 on 2 November 2022, the appointed members of SRG Committee appraised the performance of SPH in 2021-22 and determined remuneration for 2022-23 (changes being implemented from 1 February 2023). The remuneration that SPH received in 2021-22 was determined on 3 November 2021 and summary information is included in the Annual Members’ Report and Financial Statements for 2021-2022 the AoC Code states that colleges ‘must’ publish a readily accessible annual statement, based on an annual report to its governing body. The report, below, follows the content and structure specified in the guidance and once approved is intended for publication on the college website this section is RAG rated Green because the college complies with its chosen governance code.
<p>Section 2: Periodic Review of the SPH Appraisal and Remuneration Policy (RAG status: GREEN)</p> <ul style="list-style-type: none"> SRG considered the SPH Appraisal and Remuneration Policy was satisfied that the college’s approach was compliant with relevant codes and continued to meet the college purposes SRG recommended a small number of amendments to the policy to reflect changes since the last periodic review. The revised policy, with changes tracked, is attached as <u>Appendix A</u> and is recommended for approval by GB.
<p>Section 3: Institutional Performance 2021-22 (RAG status: GREEN)</p> <p>In appraising SPH performance in 2021-22, the appointed members of SRG had regard to the college’s performance in 2021-22, including:</p> <ul style="list-style-type: none"> overall learner outcomes had continued to improve to meet or exceed national rates for most provision the consistency and strength of leadership that was enabling the college to maintain a relentless focus on providing an outstanding student experience and continuous improvement of academic standards the financial performance of the college, which continued to be rated in the good/outstanding range affordability of any increase, where available on the salary banding and justified by performance, and benchmarking against similar roles in the Association of Colleges’ senior pay survey 2020-21 (published May 2022) for similar roles in FE colleges with £50m+ turnover.
<p>Section 4: Individual performance 2021-22</p>

In 2021-22, the Chair conducted Go Further Reviews with the CEP and the Governance Advisor & Clerk (clerk) and the CEP conducted Go Further Reviews with the Executive Director People and Deputy Chief Executive and Deputy Principal. SRG received the reports of the Go Further Reviews and based on individual performance and overall college performance, affordability and having regard to benchmarking information, SRG agreed specific salary points for each SPH within the GB approved Salary Bandings for each role. The notes of individual appraisals and SRG discussion of individual SPH are strictly confidential. The CEP's remuneration is published retrospectively in the Annual Members' Report and Financial Statements.

Section 5: External appointments and expenses (RAG status Green)

The Chair of Governors approved the CEP's external appointments and there were no external earnings for any SPH.

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. The remuneration precepts in the AoC Code have been agreed as meeting OfS expectations.

Stakeholders expect publicly funded organisations to behave responsibly on senior pay. Where colleges fail to manage senior pay and expenses, negative publicity reflects badly on the college's reputation and the sector.

Legal / Compliance Implications

As a condition of its funding agreement with 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. With the reclassification of FE College corporations as public sector bodies, the college is required to comply with the government's [Managing Public Money](#) framework including guidance on senior pay.

Prior Consideration

The appointed members of SRG Committee considered SPH Appraisal and Remuneration at its meeting on 2 November 2022, appraised SPH performance in 2021-22 and determined individual SPH pay for 2022-23.

Decision Sought

That 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"/>

Governing Body resolved to approve the updated SPH Appraisal and Remuneration Policy and adopted the annual report, as presented, for publication on the college website.

Risks

(2) failure to engage staff will lead to failure to deliver performance outcomes. The residual risk is assessed as medium/high and reducing overall. The Employee Engagement Survey indicates that this group is highly engaged.

(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. The inherent risk is assessed as high, reduced to medium/high by controls. The likelihood and impact of the risk crystallising are assessed as increasing due to the external economy.

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.

Governing Body agreed to adopt the AoC Colleges' Senior Staff Remuneration Code on 27 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 2 November 2022, the appointed members of SRG appraised the performance of SPH in 2021-22 and determined remuneration for 2022-23 (changes are implemented from 1 February 2023).

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 2021-22 were:

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

The membership of SRG is appointed by 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 decisions about the remuneration and 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 (Chair from 1 August 2020 for all matters except remuneration from 1 April 2021)

In the years covered by this report, appointed members of SRG met on the dates below to consider SPH appraisal and remuneration.

College year	Meeting date	Members' attendance
2021/22	03 November 2021	100%
2022-23	02 November 2022	100%

The college's key strategic objective in 2021-22 was that by 2025 TSC would "be leaders in technical and academic education, creating exceptional opportunities for the communities that we serve to realise their aspirations."

To note, the calculation of college median pay quoted below, is based on all staff employed by The Sheffield College and its subsidiary companies. This includes fixed term and casual appointments supplied by Sparks Teaching Services Ltd; catering and facilities support staff supplied by Sparks Managed Services Ltd; and certain marketing and business development services supplied by Sparks Solutions Limited.

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 other FE colleges provide higher education (HE) and there are two large publicly funded HE institutions.

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
 - affordability of any pay award
 - 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 the objectives agreed at the Go Further Review at the beginning of the year, with performance monitored regularly during the year with an annual summative review. 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
- teaching, learning and outcomes for students
- management, financial performance and efficiency
- leadership of staff and leadership behaviours that demonstrate 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.

Governing Body agreed that the SPH remuneration framework should, as far as possible, reflect the structure applying to other college employees i.e. a defined scale of pay points to be used to reflect knowledge and skills on appointment and reward performance as staff demonstrate higher levels of contribution. The scales are inflated by the college annual pay award. 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. The move to a higher pay point within a salary band is not automatic. SRG determines any changes based on the factors outlined above.

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:

	2022	2021
Chief Executive & Principal's basic salary as a multiple of the median of all staff	653%	670%
Chief Executive & Principal's total remuneration as a multiple of the median of all staff	698%	731%

The total remuneration for the Chief Executive and Principal in 2021-22 was as follows.

	2022	2021
	£'000	£'000
Basic salary	164	157
Performance related pay and bonus	-	-
Benefits in kind	-	-
Pension contributions	39	37

For 2021-22, a pay award of 0% was awarded to the Chief Executive and Principal and to all members of college Executive Leadership Team. This decision was taken to be able to increase the pay offer given to all other members of college staff. The difference in pay between years is due to incremental progression through pay points on the approved CEP salary banding.

The number of SPH who received annual emoluments, excluding pension contributions and employers' national insurance but including benefits in kind, in £5,000 ranges was:

	SPH	
	2022	2021
	No.	No.
£55,001 to £60,000	-	1
£60,001 to £65,000	1	
£90,001 to £95,000	1	1
£95,001 to £100,000	-	-
£115,001 to £120,000	1	1
£155,001 to £160,000	-	1
£160,001 to £165,000	1	-

Section 2 Periodic Review of the SPH Appraisal and Remuneration Policy

GREEN

SRG considered the SPH Appraisal and Remuneration Policy, which was due for periodic review. SRG recommended that:

- the approach remained fair and the process was fit for purpose
- the policy and use of salary bandings reflected common practice for other roles in the college and complied with sector codes and regulations
- the policy set a clear framework for decision making, which supported delegated decision making by the independent members of SRG Committee, who were able to have frank conversations with SPH and each other about performance

SRG also noted that some colleges were offering alternatives to the employer's pension contribution where staff were exceeding HMRC annual pension allowances. SRG noted that pension alternatives might be a competitive advantage

in recruiting and retaining senior staff and result in cost savings to the college but they should be applied transparently and consistently. SRG asked for further research how other colleges were using these incentives.

As a result of the review, SRG recommended a small number of amendments to reflect changes since the last periodic review.

The revised policy, with changes tracked, is attached as Appendix A and is recommended for approval by GB. There are no changes to SPH Appraisal and Remuneration Policy recommended for approval.

Next Steps

EDP to conduct further research on the use and type of alternatives to employer's pension contribution that other colleges are offering for further consideration at a future meeting.

Section 3 - Institutional Performance 2020-21

GREEN

At its meeting on 2 November 2022, SRG considered SPH remuneration in the context of performance in 2021-22 with a view to confirming salaries from 1 February 2023 and its discussion included the following main points:

- overall learner outcomes had continued to improve to meet or exceed national rates for most provision
- the consistency and strength of leadership that was enabling the college to maintain a relentless focus on providing an outstanding student experience and continuous improvement of academic standards
- the impact of leadership on the financial performance of the college, which continued to be rated by ESFA in the good/outstanding range
- affordability of any increase, where available on the salary banding and justified by performance, and
- benchmarking against similar roles in the Association of Colleges' senior pay survey 2020-21 (published May 2022) 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

Any changes to salaries will come into effect from 1 February 2023 and will be reported in the 2022-23 annual accounts and remuneration report.

Section 4: Individual performance 2021-22

GREEN

In 2021-22, the Chair conducted Go Further Reviews with the CEP and the Governance Advisor & Clerk (clerk) and the CEP conducted Go Further Reviews with the Executive Director People and Deputy Chief Executive and Deputy Principal. SRG received the reports of the Go Further Reviews and based on individual performance and overall college performance, affordability and having regard to benchmarking information, SRG agreed specific salary points for each SPH within the GB approved Salary Bandings for each role. The notes of individual appraisals and SRG discussion of individual SPH are strictly confidential.

Section 5: 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 (both remunerated and unremunerated activity). In the event of an SPH requesting approval of external work, the Vice Chair of SRG, would determine what if any of the external remuneration may 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.

None of the SPH have 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 2021-22, expenses were paid to 2 members of the college Executive Leadership Team (ELT) totalling £148 (2020-21, 157 to 2 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 for college business. The Chair also approves reimbursement of any out-of-pocket expenses for the Chief Executive/Principal.