

Remuneration Committee's Annual Report to 31 July 2020 to the Corporation

1. Introduction

The AoC Colleges' Senior Post Holder Remuneration Code, which was adopted in July 2019, requires publication of a Remuneration Annual Report. This report to the Corporation covers the business of the Remuneration Committee in relation to the financial year ending on 31 July 2020 and the report also includes any significant issues arising up to the date of preparation of the report to December 2020. The report covers the approach proposed in the Remuneration Code.

2. Terms of Reference

The Committee's terms of reference is shown in appendix A. Its remit is to review and determine the Corporation's policy on executive remuneration package of the Senior Postholders and the Clerk to the Corporation.

3. Membership, Chair and Clerk

3.1 Membership during the year ending 31 July 2020 is shown below which comprised of the Chair and Vice Chair of the Corporation and the Committee Chairs. Membership was recommended by the Search and Governance Committee in October 2018 and is reviewed annually.

Igor Andronov (Chair of the Committee and Chair of the Corporation)
James Caird (Vice Chair of the Corporation)
Tony Ford
Laura Johnston

3.2 The independent Clerk to the Corporation, Linda Watkins, is Clerk to the Remuneration Committee and has attended and minuted the Remuneration Committee with the exception of items to discuss the Clerk's salary.

4. Meetings

The Committee met remotely during 2019/20 due to the lockdown imposed by COVID-19 on 27 June 2020 with minutes and any subsequent recommendations presented to the Corporation. The meeting was quorate with 100% attendance by members.

5. Senior Postholders

The Senior Post Holders within the remit of Remuneration Committee for the year ended 31 July 2020 were:

Ian Peake (Principal and Chief Executive)
 Jo Ricketts (Deputy Principal)
 Edward Gwillim (Director of Finance)
 Linda Watkins (Clerk to the Corporation)

6. Sources of Assurance

- 6.1 The Corporation adopted the AoC Colleges' Senior Post Holder Remuneration Code in July 2019 which ensures that the Corporation meets regulatory requirements, provides fair and appropriate remuneration in the college sector whilst demonstrating leadership and stewardship in relation to remuneration to help to protect institutional reputation and provide greater assurances to key stakeholders and partners, including the student community and wider society.
- 6.2 In February 2019 the Committee agreed not to commission an independent review of the pay of the senior staff for Herefordshire, Ludlow and North Shropshire College which had previously been commissioned for 2018/19. The Committee took into account the Association of Colleges (AoC) College senior pay survey 2019 which provided comparator college organisations.

7. Approach to Remuneration

- 7.1 The Remuneration Committee has a fair and transparent approach meeting its remit to scrutinise the remuneration of senior postholders and make appropriate and realistic recommendations to the Board. In order to do this, the Committee considered the AoC's College senior pay survey 2019, focusing specifically on the analysis of West Midlands Colleges and colleges with comparable income.

Extracts from AoC Senior Pay Survey 2019: Principals salaries by region and income banding

Region	Base	Lower quartile	Median	Upper quartile
West Midlands	15	138,505	156,487	177,259

College income	Base	Lower quartile	Median	Upper quartile
£20M to <£25M	20	124,873	129,802	135,500
£25M to <£30M	17	139,091	143,000	150,000

- 7.2 The Committee took into account the need to ensure competitive and fair reward and retain and motivate suitably able and qualified people at the most senior level which reflected the market.
- 7.3 The Principal retired in August 2020 after sixteen years in post. The post was advertised taking account of the College income, location and comparisons for Principal and Chief Executive roles in the sector.
- 7.4 Senior postholders' objectives for 2019/20 were closely aligned to the College's strategic objectives. Evidence was provided at individual appraisals that the senior postholders had achieved their objectives.
- 7.5 The College's academic and financial performance was also taken into account.
- 7.6 The Committee recognised that this was an unprecedented year which had been impacted by COVID-19.

8. College's Performance

- 8.1 Herefordshire and Ludlow College was graded by Ofsted as 'good' at the last inspection in February 2016. It is a successful College which merged with North Shropshire College in November 2018. North Shropshire College was inspected in May 2017 when it was judged as requires improvement. A subsequent monitoring visit in March 2019 evaluated progress that leaders and managers have made in addressing the main areas for improvement and identified that reasonable progress had been made in all areas.
- 8.2 Herefordshire, Ludlow and North Shropshire College was awarded a silver for the Teaching and Excellence Framework (TEF). The National Student Survey (NSS), a survey of third year degree students, showed the overall satisfaction of 83.33% compared to a sector average of 82.65%.
- 8.3 The Learner Voice Survey in 2019/20 was good; evidencing improvements to distance travelled.
- 8.4 In December 2019 the College's auditors Mazars reported that the financial statements for Herefordshire, Ludlow and North Shropshire College to 31 July 2019 confirmed that the College had adequate resources to continue in operation as a going concern.

9. Pay Multiples

- 9.1 The Remuneration Committee intends to take into account the current value for the College of the pay multiple of the Principal and Chief Executive's earnings against the median of all staff, (as recommended by the Hutton Review of Fair Pay in the public sector). This information is summarised below.

Principal and Chief Executive Pay and Remuneration and Multiples

Pay multiple	2019/20	2018/19
Earnings of highest paid full year salary	£156,500	£151,500
Full time equivalent median earnings of all staff	£25,195	£24,710
Ratio	6.21	6.13
Earnings of highest paid full year salary (including employer pension costs)	£189,208.50	£181,584
Earnings of lowest paid salary	£16,831	£16,667
Ratio	11.24	10.90

10. Remuneration of the Principal/Chief Executive

10.1 Total remuneration for the Principal/Chief Executive with year on year comparator data is shown below.

Emoluments of the Principal/ Chief Executive	2019/20	2018/19
Salary	£156,500	£151,500
Performance related pay	0	£3,687
Staff pay award	£1,565	£1,551
Benefits	0	0
Sub total	£158,065	£156,738
Pension costs	£31,143.50	£24,846
Total	£189,208.50	£181,584

10.2 The Committee considered the context to the economy and the College's performance. The Committee decided to award senior postholders and the Clerk to the Corporation the same pay award made to all staff of 1%.

10.3 The Principal Designate was appointed with effect from 1 August 2020 on a salary of £140,000 which was also eligible for cost of living pay awards.

10.4 The Committee also undertook a performance review for the designated senior Postholders; namely the Deputy Principal Director of Finance, and the Clerk to the Corporation during the year and reported these to the Corporation including setting objectives. Performance objectives for the senior postholders are also linked to the College's strategic objectives.

11. Conclusion

The Remuneration Committee has undertaken its duty in accordance with its remit; namely to review and determine the Corporation's policy on executive remuneration package of the Senior Postholders and the Clerk to the Corporation. To do this fairly and transparently the Committee took account of the AoC's College senior pay survey 2019, the College's performance, including the impact of COVID-19 and how the College's teaching and learning was sustained during lock down.

On the basis of the evidence from reports and minutes of meetings, the Remuneration Committee considers that its and the Corporation's responsibilities with regard to the Senior Post Holder Remuneration Code have been satisfactorily discharged.

Igor Andronov

Chair of Remuneration Committee, December 2020

Appendix A

Remuneration Committee Terms of Reference

Purpose: To review and determine the Corporation's policy on executive remuneration package of the senior postholders and the Clerk to the Corporation, so as to: -

- Ensure that the senior postholders are fairly rewarded for their individual contributions to the College's overall performance; and
- Demonstrate to the public that the pay of the senior postholders is set by a Committee which has no personal interest in the outcome of its decision and which gives due regard to the interests of the public and of the financial health of the College.

1. Membership

- 1.1 The Committee shall be appointed by the Corporation and shall comprise of five Corporation Members.
- 1.2 A quorum shall be three Corporation Members.
- 1.3 The Chair and Vice-Chair of the Corporation shall be members of the Remuneration Committee.
- 1.4 The Chair of the Committee shall be recommended to the Board for approval; the Chair of the Corporation shall be eligible to be the Chair, which shall be confirmed by the Corporation annually¹.
- 1.5 The Principal, Staff or Student Members shall not be members of the Remuneration Committee.

2. Terms of Office

- 2.1 A Committee Member shall be appointed to serve a term of office of four years. Members should not normally serve for more than two terms (or a maximum of eight (8) years) except where subsequently undertaking a new and more senior role, for example as chair². In exceptional circumstances, and at the recommendation of the Search and Governance Committee, annual extensions may be granted. The Corporation must then endorse these recommendations of the Search and Governance Committee.

3. Frequency of Meetings and Attendance

- 3.1 The Committee should meet at least once a year.
- 3.1 The Chair may request additional meetings if they consider that they are necessary.
- 3.2 The Principal and Chief Executive shall normally be invited to attend meetings of the Committee save where his/her remuneration package is being considered. The Committee may invite the Director of Personnel to attend meetings, as it considers appropriate.
- 3.3 The Clerk to the Corporation shall be the Clerk to the Committee. A member of the Remuneration Committee shall act as Minute Secretary if the Clerk to the Corporation's salary is being considered.

¹ Revised Dec 2018 to reflect practice agreed by the Committee

² Revised Sept 2015 AoC Code of Good Governance

3.4 It is anticipated that Members shall attend the meeting as the Committee normally only meets once during each academic year.

4. Review of Committee's Effectiveness³

4.1 The Committee shall annually review if it has met its terms of reference and remains fit for purpose.

5. Authority

5.1 The Committee is authorised by the Corporation to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any Member, Committee of the Governing Body or employee of the College and all Members and employees of the College are directed to cooperate with any request made by the Committee.

5.2 The Committee is authorised by the Corporation to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with the relevant experiences and expertise if it considers this necessary provided that the Committee may not incur direct expenditure in this respect in excess of £2000 without the prior approval of the Corporation.

6. Duties

6.1 To follow the AoC's Remuneration Code for Senior Staff to ensure fair and appropriate remuneration for designated senior postholders following the three key elements in the Remuneration Code, namely:

- 6.1.1 a fair, appropriate and justifiable level of remuneration;
- 6.1.2 procedural fairness; and
- 6.1.3 transparency and accountability

6.2 To produce a Remuneration Annual Report to the governing body⁴.

6.3 Make recommendations about the senior postholders (Chief Executive, Deputy Principal and Director of Finance) and the Clerk to the Corporation, and in so doing shall consider the following component elements: -

- 6.3.1 basic salary;
- 6.3.2 benefits in kind
- 6.3.3 annual bonus/performance related elements;
- 6.3.4 pension provisions;
- 6.3.5 the main terms and conditions in the senior postholder's agreement with particular reference to notice provisions.

6.4 To evaluate annually the specific remuneration packages of senior postholders and Clerk to the Corporation against: -

- 6.4.1 pre-established performance goals and objectives;
- 6.4.2 oversight of pay gaps based on protected characteristics⁵;
- 6.4.3 employment survey data relating to appropriate peer groups.

³ Revised Sept 2015 to meet AoC Code of Good Governance

⁴ Revised Sept 2019 to meet AoC Remuneration Code

⁵ Revised Sept 2019 to meet AoC Remuneration Code

For that purpose the Committee shall review and assess performance target goals and objectives established before the commencement of the relevant period and determine whether such goals and objectives have been achieved at the end of the relevant period.

6.5 To advise the Corporation on any compensation (including augmentation of pension benefits) which may be payable in the event of the early termination of the employment of the Senior Post holders and Clerk to the Corporation with the broad aim of: -

- 6.5.1 Achieving equity where early termination is due to poor performance;
- 6.5.2 Dealing fairly with cases where termination is not due to poor performance.

7. Reporting Procedures

- 7.1 The recommendations of the Committee shall be submitted to the Corporation on the confidential agenda for consideration.
- 7.2 Minutes of the Committee shall be available for inspection by Board Members by contacting the Clerk to the Corporation.