

Remuneration Committee's Annual Report to 31 July 2022 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 2022 and the report also includes any significant issues arising up to the date of preparation of the report to December 2022. The report covers the approach proposed in the Remuneration Code.

2. Terms of Reference

The Committee's terms of reference are 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 2022 is shown below which comprised of the Chair and Vice Chair of the Corporation and Committee Chairs. Membership was first recommended by the Search and Governance Committee in October 2018 and is reviewed and updated annually with changes endorsed by the Board.

Igor Andronov (Chair of the Committee and Chair of the Corporation to 31 August 2022)

Alan Layng (Vice Chair of the Corporation until 31 August 2022 prior to becoming Chair of the Corporation on 1 September 2022)

Tony Ford

Laura Johnston

Jeremy Nicholls (joined the Committee 1 September 2022 following appointment as Vice Chair of the Corporation and appointed Chair of the Committee)

Tony Bramley (joined the Committee 1 September 2022)

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

4. Meetings

The Committee met in person during 2021/22. The meeting was held on 29 June 2022 with minutes and any subsequent recommendations presented to the Corporation. The meeting was quorate with 100% attendance by members. Tony Bramley (Governor) attended the meeting as an observer.

5. Senior Postholders

The Senior Post Holders within the remit of Remuneration Committee for the year ended 31 July 2022 were:

David Williams (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. The Committee commissioned an independent review of the pay of the senior postholders which had previously been commissioned in 2018/19 but deferred due to the pandemic. The Committee considered the independent review and, in addition, the Association of Colleges (AoC) College senior pay survey 2021 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. To do this, the Committee considered the AoC's College senior pay survey 2021, focusing specifically on the analysis of West Midlands Colleges and colleges with comparable income.

Extracts from AoC Senior Pay Survey 2021: Principals salaries by overall salary levels, region, and income banding

Overall	Base	Lower quartile	Median	Upper quartile
CEO/Principal	160	£124,965	£140,299	£157,617

Region	Base	Lower quartile	Median	Upper quartile
West Midlands	17	£103,522	£146,450	£160,000

College income	Base	Lower quartile	Median	Upper quartile
£20M to <£25M	16	£130,975	£136,198	£140,350
£25M to <£30M	21	£137,835	£142,100	£152,000

- 7.2. The Committee considered 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. Senior postholders' objectives for 2021/22 were closely aligned to the College's strategic objectives. Evidence was provided at individual appraisals that the senior postholders had achieved their objectives. The Board approved a new strategic plan in 2021 for the period 2021-2026.
- 7.4. The College's academic and financial performance was also considered.

8. College's Performance

- 8.1. Herefordshire and Ludlow College were 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. The first Ofsted inspection of Herefordshire, Ludlow and North Shropshire College took place in October 2022 when the College was judged to be 'good' by Ofsted.
- 8.2. The National Student Survey (NSS), a survey of third year degree students, showed the overall satisfaction of 87.1% compared to a sector average of 75.97%.
- 8.3. The Learner Voice Survey in 2021/22 was good and exceeded the benchmark in most areas. It evidenced distance travelled had improved or remained the same in most areas.
- 8.4. In December 2022 the College's auditors Mazars reported that the financial statements for Herefordshire, Ludlow and North Shropshire College to 31 July 2022 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 consider 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	2021/22	2020/21	2019/20	2018/19
Earnings of highest paid full year salary	£146,450	£140,000	£156,500	£151,500
Full time equivalent median earnings of all staff	£26,906	£26,640	£25,195	£24,710
Ratio	5.44	5.25	6.21	6.13
Earnings of highest paid full year salary (including employer pension costs)	£181,129	£173,152	£189,208.50	£181,584
Earnings of lowest paid salary	£17,958	£16,999	£16,831	£16,667
Ratio	8.15	8.23	9.29	9.08

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	2021/22	2020/21	2019/20	2018/19
Salary	£146,450	£140,000	£156,500	£151,500
Performance related pay	0	0	0	£3,687
Staff pay award	0	0	£1,565	£1,551
Benefits	0	0	0	0
Sub total	£146,450	£140,000	£158,065	£156,738
Pension costs	£34,679	£33,152	£31,143.50	£24,846
Total	£181,129	£173,152	£189,208.50	£181,584

11. Senior Postholder Salaries

11.1. The Committee considered the context of the economy and the College's performance, and the recommendation from the independent report, of which they were supportive. However, the Committee were mindful of the request from the Principal, Deputy Principal and Director of Finance who had stated that they were not expecting to receive pay increments this year and had chosen to decline the offer. The Committee accepted this offer. The Clerk to the Corporation was awarded a 2% increase which was comparable to the staff pay award.

11.2. The Committee also considered performance reviews for the designated senior Postholders; namely the Principal, 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.

12. 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 an independent report, the AoC's College senior pay survey 2021, the College's performance and the financial climate and request from the Principal, Deputy Principal and Director of Finance.

Based on the evidence from reports and minutes of meetings, the Remuneration Committee considers that its and the Corporation's responsibilities regarding the Senior Post Holder Remuneration Code have been satisfactorily discharged.

Jeremy Nicholls

Chair of Remuneration Committee
December 2022

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

¹ Revised Dec 2018 to reflect practice agreed by the Committee

² Revised Sept 2015 AoC Code of Good Governance

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.

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.

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

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.