

## 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 April 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 comprises of the Chair and Vice Chair of the Corporation and a combination of membership from the Search and Governance Committee and Finance and General Purposes Committee. It is chaired by the Vice Chair with membership recommended by the Search and Governance Committee in March 2019 and reviewed annually.

Tim Newsholme (Chair of the Committee and Vice Chair of the Corporation)  
Mervyn Jones (Chair of the Corporation)  
Peta Darnley  
Clive Hodgeman  
Scott Rolfe

3.2 The independent Clerk to the Governors, 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 22 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 Postholders within the remit of Remuneration Committee for the year ended 31 July 2020 were:

Abigail Appleton (Principal and Chief Executive)  
Tim Williams (Finance Director)  
Linda Watkins (Clerk to the Governors)

## 6. Sources of Assurance

- 6.1 The Corporation adopted the AoC Colleges' Senior Post Holder Remuneration Code in April 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 considered 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
£0M to <£10M	8	98,831	102,500	114,407

- 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 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 most of their objectives.
- 7.4 The College's academic and financial performance was also taken into account.
- 7.5 Any recommendations of pay awards recommended to all staff were considered.
- 7.6 The Committee recognised that this was an unprecedented year which had been impacted by COVID-19.

## 8. Pay Multiples

- 8.1 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	100,000	100,000
Full time equivalent median earnings of all staff	23,997	25,465
Ratio	4.16	3.93
Earnings of highest paid full year salary (including employer pension costs)	115,033	113,600
Earnings of lowest paid salary	16,822	14,855
Ratio	6.84	7.64

**9. Explanation of any Significant Changes**

There were no significant changes to Senior Post Holders terms and conditions in 2019/20.

**10. College's Performance**

10.1 Hereford College of Arts was graded by Ofsted as 'good' at the last inspection in October 2017.

10.2 The College was awarded a silver for the Teaching and Excellence Framework (TEF). The National Student Survey (NSS), a survey of third year degree students which contributes to the TEF rating showed an increase of 4% in the overall satisfaction to just under 87%, above a sector average of 83%.

10.3 In December 2020 the College's auditors Mazars reported that the financial statements for Hereford College of Arts to 31 July 2020 confirmed that the College had adequate resources to continue in operation as a going concern.

10.4 The ESFA's financial assessment identified the College as 'Requires Improvement' in the year to 31 July 2020.

**11. Remuneration of the Principal/Chief Executive**

11.1 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	100,000	100,000
Performance related pay	0	0
Staff pay award	0	0
Benefits	0	0
Sub total	100,000	100,000
Pension costs	15,033	13,600
Total	115,033	113,600

11.2 The Committee considered the context to the economy and the College's performance. The Committee decided that in the current financial climate it was not appropriate to make pay awards to senior postholders and the Clerk to the Governors this year. The Committee recognised that this recommendation was made in spite of the outstanding job that management are doing.

11.3 The Committee also undertook a performance review for the designated senior Postholders; namely the Director of Finance, and the Clerk to the Governors 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 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.

**Tim Newsholme**

Chair of Remuneration Committee, December 2020

## Appendix A

### Remuneration Committee<sup>1</sup>

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

- Ensure that the senior postholder is fairly rewarded for their individual contributions to the College's overall performance; and
- Demonstrate to the public that the pay of 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. Duties

1.1 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:

- 1.1.1 a fair, appropriate and justifiable level of remuneration;
- 1.1.2 procedural fairness; and
- 1.1.3 transparency and accountability.

1.2 To produce a Remuneration Annual Report to the governing body<sup>2</sup>.

1.3 Make recommendations about the Senior Postholders (Chief Executive and Finance Director) and the Clerk to the Governors, and in so doing shall consider the following component elements: -

- 1.3.1 basic salary;
- 1.3.2 benefits in kind;
- 1.3.3 annual bonus/performance related elements;
- 1.3.4 pension provisions;
- 1.3.5 the main terms and conditions in the senior postholder's agreement with particular reference to notice provisions.

1.4 To evaluate annually the specific remuneration packages of Senior Postholders and Clerk to the Governors against: -

- 1.4.1 pre-established performance goals and objectives;
- 1.4.2 oversight of pay gaps based on protected characteristics
- 1.4.3 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.

1.2.3 The overall context of the College's financial performance, delivery of its strategic priorities and with reference to key performance measures, such as a supportive environment for staff and students and a sustainable infrastructure.

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<sup>1</sup> Introduced Sept 2019 to meet requirements of AoC Remuneration Code of senior staff

<sup>2</sup> Revised Sept 2019 to meet AoC Remuneration Code

1.5 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 Postholders and Clerk to the Governors with the broad aim of: -

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

## **2. Membership**

- 2.1 The Committee shall be appointed by the Corporation and shall comprise of five Corporation Members.
- 2.2 A quorum shall be three Corporation Members.
- 2.3 The Chair and Vice-Chair of Governors, Chair of F&GP Committee and Chair of S&G Committee shall be members of the Remuneration Committee along with another Governor who shall serve on either F&GP or S&G Committee
- 2.4 The Vice Chair shall be the Chair of the Committee. In accordance with the AoC Remuneration Code for Senior Postholders, the Chair of the Governors shall not be permitted to chair this Committee.
- 2.5 The Principal, Staff and Student Governors shall not be members of the Remuneration Committee.

## **3. Terms of Office**

- 3.1 A Committee Member shall be appointed to serve subject to their role on the Board and/or F&GP Committee and S&G Committee. 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 chair. 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.

## **4. Frequency of Meetings and Attendance**

- 4.1 The Committee shall meet at least once a year.
- 4.2 The Chair may request additional meetings if they consider that they are necessary.
- 4.3 The Principal and Chief Executive shall normally be invited to attend meetings of the Committee save where their remuneration package is being considered.
- 4.4 The Clerk to the Governors shall be the Clerk to the Committee. A member of the Remuneration Committee shall act as Minute Secretary if the Clerk to the Governor's salary is being considered.
- 4.5 It is anticipated that Members shall attend the meeting as the Committee normally only meets once during each academic year.

## **5. Review of Committee's Effectiveness**

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

## **6. Authority**

- 6.1 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.
- 6.2 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.

## **7. Reporting Procedures**

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