

THE NORTHERN COLLEGE
REMUNERATION COMMITTEE
ANNUAL REPORT TO THE BOARD OF GOVERNORS 2019/20

1. Introduction

- 1.1. This annual report has been prepared by the Remuneration Committee and is based on the guidance included in the Colleges' Senior Post Holder Remuneration Code.
- 1.2. The report aims to:
 - 1.2.1. provide assurance to the Board of Governors that the Remuneration Committee has effectively discharged its responsibilities; and
 - 1.2.2. more broadly meet the requirements for transparency and accountability in the setting of senior post holder remuneration.
- 1.3. The report covers the period from 1 August 2019 to 31 July 2020.

2. Compliance with the AoC Colleges' Senior Post Holder Remuneration Code

- 2.1. The AoC Colleges' Senior Post Holder Remuneration Code was published in December 2018. The Board of Governors approved the adoption of the code in March 2019 and agreed an action plan to achieve full compliance.
- 2.2. This is the first full year of operation under the code.
- 2.3. The Remuneration Committee undertook an evaluation of the College's compliance with the code at its meeting in September 2020 and concluded that the College was fully compliant.

3. Scope

- 3.1. This report relates to the remuneration of senior post holders at the College.
- 3.2. The posts designated as senior post holders during 2019/20, and therefore falling within the scope of this report, were the Principal/Chief Executive and the Clerk to the Governors.
- 3.3. The former Vice Principal retired from the College at the end of 2018/19. A new staffing structure at leadership team level was introduced from 1 August 2019. The Board of Governors therefore agreed to designate two posts as senior post holders.

4. Remuneration Committee

- 4.1. The Board of Governors delegated a range of responsibilities with regard to senior post holder remuneration to the Remuneration Committee. These responsibilities were outlined in the committee's terms of reference covering the period of this report which are attached at Appendix 1.
- 4.2. Membership of the Committee during 2019/20 was as follows:
 - 4.2.1. Prof Tim Thornton (chair)
 - 4.2.2. Clive Macdonald;
 - 4.2.3. John Edwards;
 - 4.2.4. Kate Fleming;
 - 4.2.5. Frank Lord.
- 4.3. The committee met on 19 September 2019 and 6 February 2020. Both meetings were quorate.
- 4.4. The Clerk to the Governors serviced the meetings. The Clerk withdrew when consideration of her own role was being undertaken, for these items the Head of HR serviced the meetings.
- 4.5. The meetings were attended by the Principal who was invited to advise on agenda items that did not relate to her own salary or other benefits. The Principal withdrew when consideration of her role was being undertaken.

5. Approach to Senior Post Holder Remuneration

- 5.1. The College is committed to ensuring that senior post holder remuneration is fair, appropriate and justifiable, that procedures and decision making are fair and transparent, that proper accountability is demonstrated and that an appropriate balance is struck between recruiting, retaining and rewarding the best staff possible, whilst delivering the best outcomes for students and demonstrating effective use of resources.
- 5.2. To support this commitment, the College has developed a guiding principles and procedures document for senior post holder remuneration which is attached at appendix 2.
- 5.3. Proposals regarding remuneration are considered by the Remuneration Committee, which then makes recommendations to the Board of Governors for final approval as appropriate.
- 5.4. When considering remuneration, the committee uses a consistent framework which includes using evidence and comparator information where appropriate.
- 5.5. The committee undertakes two types of review/decision making regarding senior post holder remuneration.

5.5.1. Periodic Reviews

- 5.5.1.1. The Remuneration Committee periodically reviews the complete remuneration package for senior post holders. This is done in relation to the context in which the College is operating and with reference to the overall approach to rewarding all College staff.
- 5.5.1.2. Data considered as part of these periodic reviews may include College performance and affordability, pay multiples data, appraisal information and individual performance, relevant benchmarking data from comparator colleges/organisations (using the Association of Colleges Annual Salary Survey of FE colleges) and market rates for comparable roles within the sector taking into consideration the location, size and complexity of the College.
- 5.5.1.3. Periodic reviews for all senior post holders were undertaken in 2019/20.
- 5.5.1.4. An increment to the Clerk to the Governors salary was agreed in order to bring remuneration into line with the mean based on years' experience from the benchmarking data considered.
- 5.5.1.5. The next periodic review is scheduled for 2021/22.

5.5.2. Cost of Living Pay Awards

- 5.5.2.1. Annual cost of living awards for senior post holders are awarded in line with that for all other academic/academic related staff.
- 5.5.2.2. In 2019/20 the Principal and Clerk to the Governors were awarded a 1.8% rise backdated to 1 August 2019, this was consolidated into the academic/academic related pay scale.

6. Pay Data

6.1. Total Remuneration Principal/Chief Executive 2019/20 and Pay Multiples

	2019/20	2018/19	2017/18
Salary	106,890	100,054	94,823
Performance related pay	n/a	n/a	n/a
Benefits	n/a	n/a	n/a
Subtotal	106,890	100,054	94,823
Pension costs	22,554	18,535	6,933
Total	129,444	118,589	101,756
Pay multiple of the Principal/Chief Executive/Accountable Officer basic pay and the median earnings of the College's whole workforce	4.06	4.2	3.78
Pay multiple of the Principal/Chief Executive/Accountable Officer total emoluments and the median earnings of the College's whole workforce	4.21	4.33	3.44

6.1.1. Assumptions for calculation of pay multiples:

- calculations have been made using the methodology set out in the ESFA college accounts direction;
- the calculation for median earnings of the whole College workforce excluded those staff on variable time/casual contracts;
- pension contributions in 2017/18 are low due to the post holder not contributing to the USS main scheme for the majority of the year;
- the Principal/Chief Executive calculation for 2018/19 was based on slightly less than one full year as the post holder did not start in post until 20 August 2018.

6.2. Benchmarking

6.2.1. In a survey conducted by the Association of Colleges the average pay ratio for 95 colleges in 2018/19 was 5.3.

6.2.2. The Hutton Fair Pay Review recommended that public sector CEOs should be paid below 20:1.

6.3. Income Derived from External Activities

6.3.1. Income derived from external activities can arise in two categories:

6.3.1.1. *Where the activity is considered to be part of a role, and has a potential benefit for the College.* Where appropriate it is relevant for senior post holders to represent the College on various bodies and boards and carry out academic and civic responsibilities at other organisations. Where this is the case the activity will be agreed by the line manager as part of the role and any income generated will be retained by the College.

6.3.2. *Where external activity is not part of the role and is not directly related to the work of the College.* An exclusivity of service clause is included in the employment contract for senior post holders. This requires that a senior post holder seeking to undertake any additional work outside of their contract with the College obtains express permission. Where permission is granted, and the work is undertaken in the post holders own time, the post holder will retain the income generated.

6.3.3. There were no instances of remunerated external work in either category during 2019/20 for senior post holders.

6.4. Severance payments

6.4.1. Severance payments in this context are any enhanced payments made to an employee on the early termination of a contract.

6.4.2. No severance payments were made to senior post holders during the period.



The Northern College For Residential Adult Education

Terms of Reference - The Remuneration Committee

- 1 Membership**
 - 1.1 The committee will consist of at least four members of the Board of Governors, one of whom will be the chair of the Board of Governors. Where appropriate the committee may also include up to two independent members with appropriate expertise.
 - 1.2 The Principal, staff and student governors are not eligible for membership.
 - 1.3 The committee may invite:
 - third parties to provide external independent advice;
 - members of College staff to present specific reports, information or recommendations.Such persons will not have a vote, but are entitled to speak at the meeting.
 - 1.4 For the avoidance of doubt whilst members of staff, including senior post holders, may be invited to meetings as attendees to present reports and provide advice they are not members of the committee, will not play any part in its decision making and will withdraw from every part of a meeting at which their own remuneration or performance is under discussion.
 - 1.5 Membership of the committee and its terms of reference will be approved by the Board of Governors.
- 2 Quorum**
 - 2.1 The quorum will be three members.
- 3 Frequency of Meetings**
 - 3.1 The committee will meet as and when required, but normally twice per annum.
- 4 Responsibilities of the Committee**

With respect to Senior Post Holders

 - 4.1 Determine and review the salary and conditions of service for senior post holders.
 - 4.2 Consider the annual appraisal and performance of senior post holders.
 - 4.3 Consider and approve any severance terms for senior post holders.
 - 4.4 Monitor adoption of, and compliance with, the Colleges' Senior Staff Remuneration Code.
 - 4.5 Provide an annual report to the Board of Governors.
 - 4.6 Oversee the publication of an annual statement regarding senior post holder remuneration.

With respect to all other staff

 - 4.7 Consider proposals regarding pay awards and make recommendations to the Board of Governors.
 - 4.8 Be consulted on any major changes to employee benefit structures.

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| 5 Election of Chair | 5.1 | The chair of the committee will be selected from amongst the members of the committee. The chair of the Board of Governors will not chair the committee. |
| 6 Clerking the Committee | 6.1 | The Clerk to the Governors shall act as secretary to the committee, (with the exception of any matters relating to their own remuneration or performance in line with 1.4 above). |
| 7 Reporting to the Board of Governors | 7.1 | The minutes of each meeting of the committee will be presented to the next available meeting of the Board of Governors. |
| 8 Date of Approval | | September 2019 – Board of Governors. |
| 9 Next Review | | September 2021 |

Principles and Procedures for Senior Post Holder Remuneration

1. Introduction

- 1.1. Senior Post Holders are senior members of staff appointed by and directly accountable to the Governing Body. The staff in College designated as such are listed in the standing orders of the Board of Governors. There are two posts currently designated – the Principal and the Clerk to the Governors.
- 1.2. The Board of Governors is responsible for providing leadership and stewardship in relation to senior post holder remuneration. As part of its commitment to this the Board has adopted and has due regard for the Colleges' Senior Staff Remuneration Code.
- 1.3. The Board of Governors has delegated oversight for responsibilities in relation to senior post holder remuneration to the Remuneration Committee. The responsibilities of the committee are set out in its terms of reference.
- 1.4. This document sets out a framework for how the Remuneration Committee will perform its responsibilities in relation to senior post holders.

2. Principles

- 2.1. Senior Post Holder remuneration will:
 - 2.1.1. be fair, appropriate and justifiable;
 - 2.1.2. recognise an individuals' contributions to the College's success;
 - 2.1.3. be in line with the College's overall approach to the remuneration of its staff.
 - 2.1.4. strike a balance between recruiting and retaining the best staff, delivering the best outcomes for students and ensuring that resources are used effectively.
- 2.2. All decisions made in relation to senior post holder remuneration will be taken in line with the Colleges' Senior Staff Remuneration Code
- 2.3. Procedures relating to senior post holder remuneration will be fair and transparent, and demonstrate proper accountability.

3. Severance

- 3.1. Any severance payment made by the College to a senior post holder will be reasonable, appropriate and justifiable.
- 3.2. Where severance payments for senior post holders are under consideration advice will be taken from the external auditor to ascertain the legitimacy of any proposed payment.
- 3.3. All decisions relating to senior post holder severance payments will comply with the Association of Colleges' Senior Post Holder Remuneration Code and be made using a process which is based on the application of a consistent framework, with independent decision making, using appropriate evidence.
- 3.4. Any severance payments to senior post holders will be drawn to the attention of the College's regularity auditor.

4. Procedures

	Specific Responsibility	Implementation Overview
With respect to Senior Post Holders		
4.1	Determine and review the salary and conditions of service for senior post holders.	<p>New appointments/significant reviews</p> <p>The committee will make a recommendation to the Board of Governors regarding remuneration for newly appointed senior post holders, or where a significant review for a current post holder has been agreed.</p> <p>In order to arrive at a recommendation, the committee will undertake:</p> <ul style="list-style-type: none"> • an assessment of the value of the role in relation to: <ul style="list-style-type: none"> • complexity (scale and range of decision making, collaboration and contact, time critical activity); • impact (on students, finances and people); • discretion (level of accountability, degree of autonomy, and decision making authority); • level of experience; • knowledge and skills (including specialist skills); • reputation and academic/professional credibility needed for the role; • ability to retain and recruit to the post. • an assessment of the competitive environment and market position of the College: <ul style="list-style-type: none"> • using relevant benchmark data for comparator colleges/organisations from the Association of Colleges and other available sources; • taking into account market rates for comparable roles within the sector, bearing in mind the location, size and complexity of the College. • an analysis of College and sector pay multiples. • an assessment of institutional performance and affordability in relation to the College's overall financial position. • an analysis to ensure there are no biases pertaining to gender or to any protected characteristics in the setting of pay. <p>The committee will also:</p> <ul style="list-style-type: none"> • take into account the College's overall approach to the remuneration of its staff, particularly in relation to the rate of increase of the average remuneration of all other staff; • ensure that contracts are fair, reasonable, constitute best value, are justifiable and do not expose the College to any significant potential liabilities, through for example the setting of notice periods of more than six months.

		<p>Annual Cost of Living Pay Reviews</p> <p>Assuming performance is appropriate cost of living awards will be applied to senior post holders in line with that of all other staff.</p> <p>The committee will also undertake a broad annual review of the remuneration of senior post holders using relevant benchmark data from the Association of Colleges and other available sources. Where the committee considers that remuneration may require a detailed review a recommendation will be made to the Board of Governors.</p>
4.2	<p>Consider the annual appraisal and performance of senior post holders.</p>	<p>The Chair of the Board of Governors will be responsible for undertaking the appraisal and objective setting process for senior post-holders annually. This may be done in conjunction with other governors as appropriate.</p> <p>The process will include a robust and consistent process for setting objectives and assessing progress, with post holders clear as to what is expected, including what will be considered 'normal' and 'exceptional' performance.</p> <p>The Chair of the Board of Governors will advise the committee in relation to the performance of senior post holders at least annually.</p> <p><i>The College does not operate a system of performance related pay for senior post holders, or annual bonus arrangements for the achievement of specific objectives.</i></p>
4.3	<p>Consider and approve any severance terms for senior post holders.</p>	<p>Any severance payments to senior post holders will be agreed in line with the College's financial regulations.</p> <p>When considering severance payments, the committee will consider advice from regulators, seek appropriate legal advice and ensure that the College meets all its contractual obligations.</p> <p>In arriving at a decision regarding a payment, the committee will:</p> <ul style="list-style-type: none"> • ensure that the College's funds and assets are only used to further the charitable purposes of the College; • ensure that severance payments are reasonable, appropriate and justifiable; • ensure that the process of decision making is procedurally fair, transparent and accountable; • be mindful of the standards of personal conduct set out by the committee on Standards in Public Life (Nolan Principles); • consider matters of equality, diversity and inclusion, ensuring fairness and equity in relation to decisions made about different groups of staff; • ensure that there is no perception that poor performance is being rewarded.

		Any severance payments agreed will be reported to the Board of Governors.
4.4	Monitor adoption of, and compliance with, the Colleges' Senior Staff Remuneration Code.	The committee will review its compliance with the Colleges' Senior Staff Remuneration Code annually.
4.5	Provide an annual report to the Board of Governors.	<p>The committee will present an annual report to the Board of Governors regarding its activities during the year and providing sufficient assurance that the committee has discharged all its responsibilities.</p> <p>The report will form the basis for the published annual statement.</p>
4.6	Oversee the publication of an annual statement regarding senior post holder remuneration.	<p>The committee will recommend for publication an annual statement which will comply with the requirements in the Colleges' Senior Staff Remuneration Code, and will include:</p> <ul style="list-style-type: none"> • a list of senior post holders; • the College's policy on the remuneration of senior post holders; • a list of the College's chosen comparator colleges/organisations; • the College's policy on income derived from external activities; • the pay multiple of the Principal/CEO and median earnings of the College's whole workforce, plus details of how this has changed over time and an explanation of anything significantly above average; • an explanation of any significant changes in year; • a note of any severance payments made to senior post holders.