**SCHEME OF DELEGATION**

**GOVERNANCE STRUCTURE**

**BOARD OF GOVERNORS**

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| Determination of 15 Members (approved by the Corporation 08 July 2020)  Of the 15 Members, 11 to be external governors, 1 staff governor, and 2 student governors  **Boards of governors MUST \* include two financially qualified members, who are able to offer support and challenge to the Principal/CEO and FD\***  ***(\* FE Commissioner letter (7/5/19) to Chairs and Principals of Further Education and Sixth Form College Corporations)*** |

**COMMITTEES**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Audit** | **Finance, Resources & Capital Projects** | **Curriculum, Quality and Standards** | **Governance & Search** | **Remuneration** | **Strategy & Business Development** |
| *Purpose:*  Mandatory audit responsibilities | *Purpose:*  Finance, resources, HR, estates, Health & Safety, and capital projects | *Purpose:*  Quality, curriculum offer, Higher Education, student experience, safeguarding & Prevent, student voice and staff voice | *Purpose:*  Oversee all governance matters and governor recruitment | *Purpose:*  Remuneration of senior post holders | Purpose:  Strategic direction and strategy, Business Development, and strategic partnerships |

*(See paragraphs 28-53 for Committee terms of reference)*

**SCHEME OF DELEGATION**

## Background

1. The Scheme of Delegation sets out:

* 1. the powers delegated by the Board of Governors to the Principal and
  2. the powers delegated by the Board of Governors to its committees.

## Review

1. This document is subject to annual update, review and approval by the Board of Governors to ensure the appropriateness of the delegation of powers and responsibilities.

## Role of the Board of Governors and Governance Principles

1. The main business of the Board of Governors is to determine the educational character of the College and to ensure its overall well being, success and financial solvency.
2. The educational character of the College includes the broad purpose and strategic direction of the College, the nature of its educational programme, pattern of courses and any special characteristics of its range of subjects, its overall ethos, admission*s* policy and its relationship to its learners, communities and stakeholders.
3. *‘It is the role of the Governing Body to set the college mission and strategic direction, oversee quality and financial performance, challenge the executive on delivery and hold the Principal to account’* (BIS Guide to College Governance, 2014, Section 1 para 2). There is a clear delineation between the roles of governance (the role of the Board) and management (the role of the Principal).
4. Ultimately it is the Board of Governors that is fully accountable for the College and therefore the Board must be seen to be directing and leading the Executive to deliver against the strategic objectives agreed by the Board of Governors.
5. The success of the College requires a collaborative working relationship between the Board of Governors and the Executive.
6. Committees set up by the Board of Governors need to be empowered to deal with compliance matters leaving more time for the Board to spend on reviewing performance, reviewing the report from the Executive, and for discussing strategic matters. This will enable more time for the Board to ‘deep dive’ into specific areas as and when required and to receive regular training/briefings on key matters. The Board, and Governors, must trust the Committees to carry out the work agreed on behalf of the Board, as determined by the Committee’s terms of reference *(See paragraphs 27 - 51).*
7. Committees at the end of each meeting are required to identify the points/issues/risks that need to be brought to the attention of the Board of Governors. The Chair of the Committee and Clerk to make available a summary report for the Board, and this to include any actions subsequently taken after the meeting. Minutes from the meeting to be attached to the summary report (along with any other key documents considered by the Committee that the Committee agrees should be made available to the Board), ***but the key document for the Board to consider is the Committee’s summary document.*** The reporting format is appended (Appendix 1).
8. The Board of Governors to monitor at each meeting through the data dashboard the agreed top level KPIs for the following key areas:

Teaching, Learning and Assessment

Attendance

Operating Surplus

Financial Health

1. Governors already have duties as charity trustees to ensure good financial management of the College. Under the FE Insolvency Regime introduced in January 2019 those duties continue and it will be all the more important to report early any sign of financial difficulty and to recognise and report if the College becomes insolvent. Governors are under obligations to act to ensure that they do not allow the college or company to continue to trade when insolvent if this damages the interests of creditors. Therefore the need for good governance arrangements to ensure effective financial oversight is paramount. To this end, monthly management accounts with a comprehensive commentary and 24 month cash flow forecast, to be made available to all governors.

## Delegation

1. The powers and responsibilities of the Board and Principal are defined in the Instrument and Articles of Government for West Thames College.
2. Article 4 explicitly allows for the delegation of Corporation powers to its committees and the Principal:

‘the Corporation may establish committees for any purpose or function other than those assigned in these Articles to the Principal or Clerk and may delegate powers to such committees*;* the Chair or, in the Chair’s absence, the Vice Chair*;* or the Principal’.

## Board of Governors

1. There are some powers which the Board of Governors **shall not delegate**

(under Article 9):

* 1. the determination and periodic review of the educational character and mission of the institution;
  2. the approval of the annual estimates of income and expenditure;
  3. the responsibility for ensuring the solvency of the institution and of the Corporation and for safeguarding their assets;
  4. the appointment of the Principal or holder of a senior post;
  5. the appointment of the Clerk; and
  6. the modification or revocation of the Articles.

1. In addition, the Board of Governors **may not delegate** (under Article 10):
   1. the consideration of the case for dismissal, and
   2. the power to determine an appeal in connection with the dismissal

of the Principal, the Clerk or the holder of a senior post, **other than** to a committee of members of the Governing Body.

1. Further, under the provisions of the ‘Conditions of Funding Agreement 2018-2019’ between the College and the Chief Executive of the Education Skills Funding Agency*:*

‘The Governing Body of the College has responsibilities for ensuring that the College’s funds are used only in accordance with the College’s powers as set out in the Further and Higher Education Act 1992 and the College’s own statutory duties and other obligations’ (paragraph 3.1) and ‘the Governing body is responsible for ensuring the solvency of the College…and…for achieving value for money in all transactions involving Public Funds’ (paragraph 3.2). ‘The College is free to spend its funding as it sees fit, providing it fulfils the conditions of funding imposed by the ESFA’ (paragraph 6.2).

## Principal

1. The **statutory powers and duties** of the Principal are set out in Article 3(2). S/he is responsible for
   1. making proposals to the Corporation about the educational character and mission of the institution and implementing the decisions of the Corporation;
   2. the determination of the institution’s academic and other activities;
   3. preparing annual estimates of income and expenditure for consideration and approval by the Corporation, and the management of budget and resources, within the estimates approved by the Corporation;
   4. the organisation, direction and management of the institution and leadership of the staff;
   5. the appointment, assignment, grading, appraisal, suspension, dismissal, and determination, within the framework set by the Corporation, of the pay and conditions of service of staff, other than the holders of senior posts or the Clerk;
   6. maintaining student discipline and, within the rules and procedures provided for within the Articles, suspending or expelling students on disciplinary grounds or expelling students for academic reasons.
2. Further, under the ‘Conditions of Funding Agreement’ the Principal is identified as the Accounting Officer and:

‘The Governing Body shall require the accounting officer to take personal responsibility, which shall not be delegated, to assure them that there is compliance with the Financial Memorandum and all other terms and conditions of funding. The accounting officer may be required to appear before the Parliamentary Committee of Public Accounts on matters relating to the College’s use of Public Funds.’

(from paragraph 4.1 of the Education Skills Funding Agency ‘Conditions of Funding Agreement 2018-19’)

1. The following further powers and responsibilities are delegated by the Board of Governors to the Principal:
   1. Informing the Board of Governors, its committees or the Chair as appropriate, of all significant matters, achievements, activities and events related to the work of the College;
   2. Determining the employment policies of the College;
   3. Setting a framework for the pay and conditions of service of staff, other than senior postholders or the Clerk;
   4. Making any rules relating to the conduct of staff, including discipline, grievance, suspension and dismissal procedures;
   5. Making any rules relating to the conduct of students, including suspension, discipline, academic appeals and complaints procedures;
   6. Determining all matters relating to the establishment, constitution and conduct of any student body or other social or representative organisation for students;
   7. Obtaining the views of staff and students on the determination and periodic review of the educational character and mission of the institution and the oversight of its activities;
2. Determining the College’s responses and communications to other organisations (including the Education and Skills Funding Agency (ESFA) in accordance with the policies of the Board of Governors;
3. Determining the levels of tuition fees and other charges payable to the College and the College’s remitted fee policy.

20. The Corporation also delegates financial and procurement authority to the Principal, as per the College’s Financial Regulations. Specific levels of delegation include:

1. Purchase of goods or services by purchase order of value not exceeding £50,000 (excluding VAT)
2. Requirement for tendering procedures – award of contracts whose value exceeds £50,000 (excluding VAT)
3. Approval of severance payments made in accordance with relevant legislation and under a scheme approved by the Corporation

Note: Under Article 11, the Principal may delegate functions to the holder of any senior post other than:

1. the management of budget and resources; and
2. any functions that have been delegated to the Principal by the Corporation.

## Clerk

1. The Clerk shall be responsible for the following functions (Article 3(3)):
   1. advising the Corporation with regard to the operation of its powers;
   2. advising the Corporation with regard to procedural matters;
   3. advising the Corporation with regard to the conduct of its business; and
   4. advising the Corporation with regard to matters of governance practice.

## Chair

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| 1. The Chair may deal with those matters specifically delegated to him/her by the Governing Body (Article 4). Any use of delegated authority by the Chair to be reported to the Board of Governors or appropriate committee. 2. The Chair may not have delegated authority in relation to any matters listed under Articls 9 & 10, or those responsibilities delegated to the Principal under Article 3(2). 3. The Corporation also delegates financial and procurement authority to the Chair, as per the College’s Financial Regulations. Specific levels of delegation include: 4. Purchase of goods or services by purchase order in excess of £50,000 (excluding VAT) 5. Requirement for tendering procedures – award of contracts whose value exceeds £50,000 (excluding VAT) 6. Approval of expenses claims by the Principal or members of the Corporation for travel and subsistence expenditure incurred in the course of their duties. |

## Board of Governors’ Committees & Working Groups

1. The Board of Governors has established six committees:

* Finance, Resources & Capital Projects
* Audit (required under Article 6)
* Curriculum, Quality & Standards
* Governance & Search (Search Committee is required under Article 5)
* Strategy & Business Development
* Remuneration

26. In addition to committees, the Board of Governors can agree to put in place working groups/task groups to deal with specific issues over an agreed timeframe. The Board of Governors to approve terms of reference for any working group/task group.

**Reporting on the work of Committees to the Board of Governors**

27.Committees at the end of each meeting are required to identify the points/issues/risks that need to be brought to the attention of the Board of Governors. The Chair of the Committee and Clerk to make available a summary report for the Board, and this to include any actions subsequently taken after the meeting. Minutes from the meeting to be attached to the summary report (along with any other key documents considered by the Committee that the Committee agrees should be made available to the Board), *but the key document for the Board to consider is the Committee’s summary document.* The reporting format is appended (Appendix 1).

## TERMS OF REFERENCE OF BOARD OF GOVERNORS’ COMMITTEES

## Finance, Resources & Capital Projects Committee

28. The remit of the Finance, Resources & Capital Projects Committee is to advise the Board of Governors on the financial position of the College.

29. As confirmed in paragraph 11, Governors already have duties as charity trustees to ensure good financial management of the College. Under the FE Insolvency Regime introduced in January 2019 those duties continue and it will be all the more important to report early any sign of financial difficulty and to recognise and report if the College becomes insolvent. Governors are under obligations to act to ensure that they do not allow the college or company to continue to trade when insolvent if this damages the interests of creditors. Therefore the need for good governance arrangements to ensure effective financial oversight is paramount.

30. The Committee will approve on behalf of the Board of Governors, the College’s investment and borrowing policies and will establish, in line with current pay frameworks, the pay awards for staff, other than for senior post holders.

31. The Board of Governors will be advised accordingly (through Committee minutes) of any decisions made within the powers delegated to the Committee.

1. Membership (4): Four governors (including the Chair and Principal), excluding

(Quorum 2) members of the Audit Committee.

1. Objectives:
2. To monitor at each meting of the Committee those KPIs from the Data Dashboard that fall within the remit of the Committee, for example, Financial health, operating surplus, Health & Safety, and Human Resources.
3. Monitoring the College’s financial performance and solvency, and management effectiveness.
4. Recommending the annual estimates of Income & Expenditure and the 2-year Financial Forecasts to the Board of Governors for approval.
5. Subject to a satisfactory review undertaken by the Audit Committee, to recommend the annual Financial Statements to the Board of Governors for approval.
6. Determining and approving the College’s Financial Regulations and reviewing them annually.
7. Monitoring the College’s investment, borrowings and cash management.
8. Monitoring the College’s employment policies and procedures.
9. On behalf of the Board of Governors, to consider and review annually a Human Resources Report.
10. On behalf of Board of Governors, to consider and review annually a Sub-contracting Policy and subcontracting arrangements.
11. Monitoring the framework for the pay and conditions of service of staff and to propose any pay award for Board of Governors approval
12. Consider and review, for Board of Governors approval, the College’s Property Strategy.
13. On behalf of the Board of Governors, to consider and review annually a Health & Safety Report.
14. Monitoring the College’s capital projects and improvement programme.
15. To review at each meeting those risks from the College’s Risk Register that fall within the scope of the Committee’s terms of reference; to assess the appropriateness of the risk score, proposed mitigation actions, and any sources of “assurances” being sought to confirm that the risks are being managed and mitigated; and to identify any new risks for inclusion in the Risk Register.

## Audit Committee

1. The Audit Committee is authorised by the Corporation to investigate any activity within its terms of reference to effectively monitor the adequacy and effectiveness of the College’s systems of internal control, and its arrangements for risk management, control and governance process, and securing economy, efficiency and effectiveness. The Audit Committee will also maintain the overarching responsibility for reviewing and maintaining the structure of the Board Assurance Framework.
2. The Committee is authorised by the Board of Governors to approve the audit strategy and annual internal audit plans for the internal audit service and, through the minutes of the Committee, to advise the governing body accordingly. Furthermore, the Committee will establish, in conjunction with college management, relevant annual performance measures and indicators and monitor the effectiveness of the internal audit service and financial statements auditor through these measures and indicators and decide, based on this review, whether a competition for price and quality of the audit service is appropriate.

35. The Audit Committee will also review the audit aspects of the draft annual financial statements. These aspects will include the external audit opinion, the statement of members’ responsibilities, the statement of internal control and any relevant issue raised in the external auditor’s management letter. The Committee should, where appropriate, confirm with the internal and external auditors that the effectiveness of the internal control system has been reviewed and comment on this in its annual report to the Board of Governors,

1. Membership (min of 3, max of 5) Three Governors (excluding the Chair, the

(Quorum 2) Principal and members of F&PC) and up to 2 co-opted Members.

1. Collectively, members of the Audit Committee should have recent relevant experience in risk management, finance and audit and assurance.
2. Objectives:
3. To assess and provide the governing body with an opinion on the adequacy and effectiveness of the College’s
   * audit arrangements,
   * framework of governance,
   * risk management and control,
   * and processes for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets.
4. On behalf of the Board of Governors, to approve the appointment, reappointment and dismissal of the external auditor, reporting accountant and other assurance providers, including internal auditors, to establish that all such assurance providers adhere to relevant professional standards and to approve their remuneration and terms of engagement.
5. To review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.
6. To review and consider on behalf of the Board of Governors internal audit assignment reports and annual reports and on control issues included in the management letters of the Financial Statements Auditor (including their work on regularity), and management’s responses to these.
7. On behalf of the Board of Governors, to consider and approve an audit strategy and annual internal audit plans for the IAS, and consider and advise the Board of Governors annually whether there is a need for an internal audit function and if so, its remit and level and focus of internal audit activity.
8. To monitor and review the effectiveness of the College’s internal audit function and to explain how independence and objectivity have been safeguarded.
9. To inform the Board of Governors on the provision of any additional services undertaken by the external auditor, reporting accountant and other audit and assurance providers and to explain how independence and objectivity have been safeguarded.
10. To monitor, within agreed timescales, the implementation of agreed recommendations arising from any reports submitted by providers of audit and assurance services to the College.
11. To ensure effective co-ordination between the Internal Audit Service (IAS) and the Financial Statements Auditor.
12. To consider relevant reports, for example by the National Audit Office (NAO), the Education Skills Funding Agency (ESFA), other funding bodies and where appropriate, management’s response to these.
13. To produce a separate Annual Report for the governing body and the College’s Accounting Officer, summarising the committee’s activities relating to the financial year under review, including any significant issues arising up to the date of preparation of the report. The report must include the Committee’s view of its own effectiveness and how it has fulfilled its Terms of Reference in relation to West Thames College. The report must include the Audit Committee’s opinion on the adequacy and effectiveness of audit arrangements, its framework of governance, risk management and control, and its processes for securing economy, efficiency and effectiveness. The Annual Report must be submitted to the governing body before the Statement of Corporate Governance and Internal Control in the accounts is signed. A copy of the Audit Committee’s Annual Reports must be submitted to the relevant funding body with each set of annual accounts.
14. To oversee the College’s policies on fraud, irregularity and whistleblowing, and to ensure the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity; that investigation outcomes are reported to the audit committee; that the external auditors (and internal auditors where appointed) have been informed, and that appropriate follow-up action has been planned, and that all significant cases of fraud or suspected fraud or irregularity are reported to the chief executive of the appropriate funding body.
15. Subject to a satisfactory review undertaken by the Finance, Resources & Capital Projects Committee, to recommend the Annual Financial Statements to the governing body for approval.
16. The Board of Governors has the ultimate responsibility for Risk Management and is advised in this role by the Audit Committee. The Corporation sets the tone and influences the culture of Risk Management within the institution which includes the following:

* ensuring that the identification, assessment and mitigation of risk is linked to the achievement of the College’s objectives;
* ensuring that the assessment of risk reflects the College’s appetite for risk;
* considering any significant new activity or opportunities as they arise to ensure that risks are identified and managed;
* actively participating in major decisions affecting the College’s risk profile or exposure
* monitoring the management of significant risks to reduce the likelihood of unwelcome surprises;
* receiving regular reports from College Management supplemented by internal and external audit reports and other third party agencies in order to receive assurance that all aspects of risk are being appropriately managed;
* annually reviewing the College’s approach to Risk Management and approve changes to key elements of its processes and procedures;
* regular review of the Risk Register by the Audit Committee; and
* Board of Governors’ Committees to review at each meeting those risks that fall within the scope of their terms of reference and for the Committees to assess the appropriateness of the risk score, proposed mitigation actions, and any sources of “assurances” being sought to confirm that the risks are being managed and mitigated and to identify any new risks for inclusion in the Risk Register.

1. The Audit Committee must have the authority to investigate any activity within its terms of reference.
2. The Audit Committee must have the right of access to obtain all the information and explanations it considers necessary, from whatever source, to fulfil its remit.
3. The Audit Committee must not adopt an executive role.
4. The Audit Committee has authority to appoint up to 2 co-opted members as required to meet the need for specific additional experience.

## Curriculum, Quality & Standards Committee

Membership (8): Six Governors (including the staff governor, student governor

(Quorum 3) Principal)

1. To provide assurance to the Board of Governors on the quality of teaching, learning and student outcomes for all provision at all levels for all age groups.
2. Objectives:
3. To monitor at each meting of the Committee those KPIs from the Data Dashboard that fall within the remit of the Committee - Teaching, learning and assessment, attendance, retention learner progress and student experience.
4. To participate in the moderation process for the College Self Assessment Report (SAR).
5. To review and recommend the College SAR for the Board of Governors to approve.
6. On behalf of the Board of Governors, to monitor at each meeting of the Committee the Development Plan
7. To receive for review an annual report on Higher Education provision
8. To monitor arrangements for ensuring the quality of teaching and learning.
9. To consider the views of students on teaching, learning, assessment and college life and to monitor actions taken to improve identified areas (Learner Voice).
10. To consider the views of staff on teaching, learning, assessment and college life and to monitor actions taken to improve identified areas (Staff Voice).
11. To scrutinise the performance of different groups of learners to ensure equality of outcomes for all groups.
12. To monitor the quality of the Sub-contracted provision.
13. To monitor safeguarding and prevent arrangements and to review and recommend the Annual Safeguarding Report for the Board of Governors to approve.
14. To review at each meeting those risks from the College’s Risk Register that fall within the scope of the Committee’s terms of reference; to assess the appropriateness of the risk score, proposed mitigation actions, and any sources of “assurances” being sought to confirm that the risks are being managed and mitigated; and to identify any new risks for inclusion in the Risk Register.

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## Strategy & Business Development Committee

1. Membership (5): Five governors (including the Chair, Vice Chair and Principal)

(Quorum 2)

1. The Committee will lead the development and updating of the College’s strategy and strategic options to support the long-term sustainability of the College.
2. The Committee will review progress of the implementation of the College’s strategic plan and strategic options as and when they have been approved by the Board of Governors.
3. The Committee will also ensure that appropriate arrangements are in place for the scrutiny of associated significant business cases for any proposed strategic option.
4. The status of the Committee is purely advisory. The Board of Governors has ultimate responsibility for the setting of the strategic direction of the College.
5. However, the Board can delegate decision-making authority to the strategy group to oversee and approve strategic options as long as any action taken under delegate authority is reported to the Board.
6. In the event of having to respond quickly to any strategic proposal, the Chair can take ‘Chairs Action’ to delegate decision-making authority to the Strategy & Business Development Committee. Any such ‘Chairs Action’ taken must be reported to the Board of Governors.
7. Objectives:
8. To lead the development and updating of the College’s Strategic Plan, prior to submission to the Board for approval.
9. To seek assurance on the robustness of the College’s processes to support mid to long term strategic planning.
10. To drive the development and updating of appropriate strategic options, prior to submission to the Board for approval.
11. To ensure appropriate arrangements are in place for the review of significant business cases and tender responses in support of any proposed strategic options.
12. To review progress against the strategic options action plan.
13. To identify key metrics against which to measure the success of any proposed strategic options, to review performance against these metrics and ensure appropriate action is taken in response.
14. To identify potential areas for business growth including Apprenticeships.

## Governance & Search Committee

1. Membership (5): Five governors (including the Chair and Principal)

(Quorum 2)

50. Objectives:

1. The Committee shall be responsible for nominating external candidates for the approval of the Board to fill vacancies on the Board and for determining the process whereby candidates are nominated.
2. The Committee shall from time to time consider and make recommendations to the Board on the Board’s composition and balance, and on the procedures for appointment to the Board.
3. The Committee shall develop and recommend to the Board policies and procedures for the induction, training and self-assessment of governors.
4. The Committee shall keep under review all aspects of Governance such as the link scheme and the effectiveness of Board Committees.
5. The Committee shall have the power to co-opt the services of such external advisers as they deem necessary to fulfil their responsibilities.
6. The Chair or Vice-Chair of the Board shall chair the Committee.

## Remuneration Committee

51. Membership (4): Four Governors (excluding the CEO/Principal, staff and

student governors)

Quorum (2)

1. The Committee to adhere to, and follow, the requirements of the Association of College’s Senior Post Holders Remuneration Code (Appended).
2. To determine and agree the remuneration of holders of senior posts (i.e. the Principal) and the Clerk, and to report its decisions to the Board of Governors.

**Association of Colleges**

**The Colleges’ Senior Post Holder Remuneration Code**

**Introduction**

1. The Senior Post Holder Remuneration Code (the Remuneration Code) forms part of the AoC Code of Good Governance in England as of December 2018; in order to be compliant, college Governing Bodies should adopt and must have due regard for the Remuneration Code (as stated in 9.9 and 9.10 of the AoC Code of Good Governance).
2. Fair and appropriate remuneration is key to the success and development of the college sector. To support governing bodies, the Remuneration Code was developed by AoC Governors’ Council after wide consultation with AoC members, governors and college stakeholders. This Remuneration Code will be reviewed every three years, in consultation with the sector.
3. The different regulatory frameworks of the college sector within the UK mean that governing bodies will need to decide how best to use the Remuneration Code. Colleges are bound by the relevant accounts direction issued by their regulator. In addition, in assessing compliance with conditions of registration, the Office for Students (OfS) may consider the provider’s information about the pay of Senior Post Holders within its audited financial statements and whether the governing body publishes its written commitment to comply with this Remuneration Code.
4. By visibly adopting the Remuneration Code, governing bodies demonstrate leadership and stewardship in relation to remuneration within their institutions and, in doing so help to protect institutional and sector reputation and provide greater assurances to key stakeholders and partners, including the student community and wider society.
5. The use of this Remuneration Code is voluntary and can be used by any college. The Remuneration Code is to be used on an ‘apply or explain’ basis. This means that colleges should either publicly state that they have abided by the minimum requirements of this Remuneration Code or should provide meaningful explanations for non-compliance and how their alternative arrangements meet its principles.
6. Throughout this Remuneration Code the word ‘must’ identifies the AoC Governors’ Council view of the minimum requirements for an institution wishing to comply with it. Governing bodies are free to meet ‘must’ statements by the means and mechanisms appropriate to their own context. The Remuneration Code is supported by a set of Explanatory and Guidance,

Notes (Appendix 1) which are designed to assist Governing Bodies in

developing their responses. The use of the word ‘should’ identifies good or

enhanced governance practice which institutions are encouraged to adopt.

1. The principles outlined in this Remuneration Code apply to all remuneration decisions affecting the emoluments of the Chief Executive/Principal and other Senior Post Holders as prescribed in constitutional documents. In England, the principles also apply to Senior Post Holders as defined in ESFA accounts direction.

# Elements of fair and appropriate remuneration

Fair and appropriate remuneration1 requires three key elements – namely that there is:

* 1. a fair, appropriate and justifiable level of remuneration;
  2. procedural fairness; and
  3. transparency and accountability.

Each of these elements are underpinned by several supporting principles.

## Element I - A fair, appropriate and justifiable level of remuneration

Remuneration starts with a clear understanding of the responsibilities, context and expected contribution of a role and the attributes required to undertake that role effectively. Fair and appropriate remuneration then recognises an individual’s

contribution to their college’s success in that role, and is sufficient to recruit, retain and motivate staff of appropriate calibre in the context of the market for that role, balanced with the need to demonstrate the achievement of value for money in the use of resources.

**Principles**

1. Remuneration should take account of the context in which the college operates.

1 Remuneration includes not only basic salary but also bonuses, expenses and other allowances, and the monetary value of benefits in kind including housing and cars, etc.

1. Remuneration must be linked to the value, based on a number of components, delivered by the individual within the role.
2. Remuneration must consider matters of equality, diversity and inclusion with a view to ensuring that there are no biases pertaining to gender or other protected characteristics within the pay structure.
3. Colleges should be clear about what they expect from staff, i.e. what is ‘normal’ and what is ‘exceptional’. There must be a robust and consistent process for setting objectives and assessing an individual’s contribution.
4. Remuneration can vary according to individual performance. However, the decision to apply performance-related pay is for individual colleges to make. Nothing in this Code is intended to imply that performance- related pay is a requirement for fair and appropriate remuneration.
5. Except in the case of incremental progression, any awards made in respect of annual performance related payments linked to the achievement of specific annual objectives should not be consolidated.
6. From time to time the value of a role may need to be reviewed in light of changing conditions, sustained performance, experience etc.
7. Non-achievement of an individual’s expected contribution should be

clearly addressed through performance management.

1. Any severance payments must be reasonable and justifiable.
2. There should be a clear and justifiable rationale for the retention of any income generated by an individual from external bodies in a personal capacity, particularly in respect of full-time post holders.

## Element II – Procedural fairness

Procedural fairness requires remuneration to be set through a process that is based on competent people applying a consistent framework with independent decision- making using appropriate evidence and assessing the value of roles, the contexts and individuals’ performance in them.

**Principles**

1. Senior Post Holder remuneration should be determined in the context of each college’s approach to rewarding all of its staff, and in particular, consideration should be given annually to the rate of increase of the average remuneration of all other staff.
2. No individual can be involved in deciding his or her own remuneration.
3. Remuneration Committees must be independent, competent and should not be chaired by the Chair of the Governing Body.
4. The Chief Executive / Principal must not be a member of the Remuneration Committee.

## Element III - Transparency and accountability

The process for setting remuneration must be transparent. For Senior Post Holders there must be a college level justification for remuneration that relates to the competitive environment, the value of the roles and institutional performance. The remuneration of the Chief Executive / Principal must be separately justified, published and related to the remuneration of all staff within the organisation.

**Principles**

Each college must publish a readily accessible annual statement, based on an annual report to its governing body. This report must contain:

1. a list of Senior Post Holders within the remit of Remuneration Committee;
2. its policy on the remuneration for post holders within the remit of Remuneration Committee;
3. its policy on income derived from external activities;
4. the pay multiple of the Chief Executive / Principal and the median earnings of

the institution’s whole workforce, illustrating how that multiple has changed

over time and, if it is significantly above any published average, an explanation of why.

The report should also contain:

1. its choice of comparator college(s)/organisation(s);
2. an explanation of any significant changes.

**Appendix 1:**



**COMMITTEE REPORT FOR THE ATTENTION OF THE BOARD OF GOVERNORS**

*The report provides a summary of the key points from the meeting with the minutes providing further information. The Chair of the Committee will take any questions arising from Governors’ review of the report and minutes.*

Committee:

Chair:

Date of meeting:

Report author:

1. Substantive agenda Items:

2. Key issues/risks to being to the attention of the Board of Governors:

3. Action points from the meeting (with any updates on any actions subsequently taken after the meeting)

4. Decisions being asked of the Board of Governors:

5. Attached reports for the attention of the Board of Governors: