

Setting executive pay

Guidance for school trust boards

In association with

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The voice of school trusts

Setting executive pay

Setting pay for senior staff is an important task for school trust boards. Trust leaders should be fairly and appropriately rewarded for their skills and experience, while trusts must ensure that the public funds they are entrusted with are well spent. Senior pay is often a highly visible aspect of trust operations and has the potential to affect the trust's reputation.

This guidance is intended to support trust boards with a robust evidence-based process to set executive pay and should be read in conjunction with the [Academy Trust Handbook](#) and the [Academy Trust Governance Code](#).

The [Confederation of School Trusts](#) is the national organisation and sector body for school trusts, advocating for, connecting and supporting executive and governance leaders.

[Browne Jacobson](#) is one of CST's Platinum Partners. Browne Jacobson is an award-winning law firm offering a unique range of education, legal and HR support to schools and academies.



Regulatory requirements

The Academy Trust Handbook requires trust boards to ensure decisions about levels of executive pay follow a robust evidence-based process and are a reasonable and defensible reflection of the individual's role and responsibilities. No individual executive can be involved in deciding their remuneration so this process must be owned and driven by non-executive trustees.

The Academy Trust Handbook also states that the board must discharge its responsibilities effectively, ensuring its approach to pay and benefits is transparent, fair, proportionate and justifiable, including:

- Process: the procedure for determining executive pay and benefits, and keeping them proportionate, is agreed by the board in advance and documented ideally in an appropriate policy.
- Independence: decisions about executive pay and benefits reflect independent and objective scrutiny by the board and conflicts of interest are avoided.
- Robust decision-making: factors in determining pay and benefits are clear, including whether educational and financial performance considerations, and the degree of challenge in the role, have been taken into account.
- Proportionality: pay and benefits represent good value for money and are defensible relative to the public sector market.
- Documentation: the rationale behind the decision-making process, including whether the level of pay and benefits reflects value for money, is recorded and retained.
- Rate of increase: a basic presumption that executive pay and benefits should not increase at a faster rate than that of other trust staff, in individual years and over the longer term
- Open to challenge: understanding that inappropriate pay and benefits can be challenged by DfE, particularly in instances of poor financial management of the trust.

Trusts showing payments over certain thresholds in accounts have previously received [letters from the Education and Skills Funding Agency](#) asking for greater detail and rationale for pay awards, with details of engagement published online. Information requested has included:

- Details on roles and responsibilities.
- Other benefits paid in addition to the base salary.
- Length of notice provision.
- Annual leave entitlement.
- Pension entitlement.
- How much time is spent teaching if still afforded teaching terms and conditions
- Number of academies and pupils including age range of provision.
- Challenges the trust faces, for example, educational, financial, or geographical.

Trusts have also been asked for information on the trust's pay policy, including:

- How pay decisions are made and documented.



- How value for money is achieved.
- Whether performance-related factors (including trust growth and broader sector reach) are taken into account.
- How discrimination is avoided.
- How appeals are handled.
- How often pay reviews are considered.
- How the trust board ensures the workforce understands the trust's approach to pay.
- Whether the policy is made available to all members of staff and trustees.
- If pay to any member of staff earning in excess of £150k per annum had increased at a faster rate than teachers' pay.

More recently, to minimise bias, the DfE has compared pay in organisations of a similar size and type and then calculated those in the top five percent of pay as a proportion of general annual grant funding. Those considered outliers were then [contacted by the DfE](#).

The trust board must ensure that its senior employees' payroll arrangements fully meet tax obligations and comply with HM Treasury's guidance about the employment and contract arrangements of individuals on the avoidance of tax. This is set out in [HM Treasury's Review of the Tax Arrangements of Public Sector Appointees](#). Failure to comply with these requirements can result in a fine being issued by HM Treasury.



Principles for setting executive pay

Trust boards may wish to formally adopt the following principles that should underpin all decisions on executive pay:

1. Decisions on executive pay are fair, proportionate, and justifiable
2. There is a fair, evidence-based process for making those decisions
3. The process is underpinned by probity, the ethos of public service, public sector values, and the principles of public life

1. Decisions on executive pay are fair, proportionate, and justifiable

- Pay should take account of the context (geographic, educational, and financial) in which the trust operates.
- Pay should be linked to the value, based on a number of components, delivered by the executive leader(s).
- Pay decisions should ensure that there are no biases pertaining to gender or other protected characteristics within the pay structure.
- Pay is related to performance and non-achievement of an executive leader's objectives should have consequences.
- Executive pay and benefits should not increase at a faster rate than that of teachers, in individual years and over the longer term.
- Decisions made are fair and equitable and in line with employment law.

2. A fair, robust evidence-based process for making those decisions

- Executive pay should be part of the approach to rewarding all staff, and in particular, consideration should be given to factors such as the rate of increase to other staff, pay multiples of executive leaders, and the median earnings of the trust's whole workforce.
- Remuneration committees should have clear terms of reference, agreed by the board.
- Remuneration committees must be independent, competent, and accountable to the board.
- Remuneration committees are encouraged to consider the skills and experience required to complete the executive pay setting process and consider the use of an appropriately skilled and experienced external advisor if these are not available within the trust.
- It is advisable to use recent external benchmarking data which supports evidence-based decision making.
- The executive pay decision making process and rationale for decisions should be detailed in writing, ideally in one document that can be stored confidentially and relied upon should decisions be challenged in the future.



3. The process is underpinned by public sector values and the principles of public life

Principle 2 (Leadership) of the Academy Trust Governance Code sets out that boards should ensure proper arrangements for the remuneration of the executive leadership team.

Principle 3 (Integrity) encourages boards to consider how the trust is perceived by the people and organisations involved in its work, including stakeholders, third parties, and by the wider public.

Principle 6 (Openness and accountability) emphasises the responsibility of the board for building public trust and confidence in its work.

The [Seven Principles of Public Life](#), as applied to pay, encourage the following:

- Selflessness: Pay decisions reflect the ethos of public service.
- Integrity: Pay decisions are made independently (no individual can be involved in deciding his or her own remuneration), and with integrity and probity.
- Objectivity: Pay decisions are taken impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- Accountability: The trust board is comfortable submitting themselves to external scrutiny and challenge in relation to pay decisions.
- Openness: Pay decisions are taken in a transparent manner.
- Honesty: Decisions and reporting on pay are honest and truthful.
- Leadership: The trust board demonstrates the highest standards of public life in executing the responsibility to set executive pay.



Guidance on establishing a robust, evidence-based process

1. Establish a remuneration committee

We recommend three non-executive trustees, this can include the chair of the board. While its provisions do not directly apply to charities, the UK Corporate Governance Code states that the chair of the remuneration committee should have previously served on it for at least 12 months, and should not be the chair of the board.

Conflicts of interest will need to be managed carefully and avoided wherever possible. If a conflict arises, the committee should take advice, make a record of the conflict, their approach to dealing with it, and the ultimate decision. No staff should be involved in the setting of their own pay at any stage of the process, including receipt of documents and data reports that relate to their own pay setting.

Any attendance by executives at committee meetings should be by invitation only. The accounting officer may be invited to attend on occasion to advise on broader matters relating to pay policy or pay of their direct reports, but not their own remuneration. Other executives may be invited to attend committee meetings to discuss topics such as affordability, or the external pay frameworks for teachers and support staff.

If the executive leader for HR is supporting the committee with its processes, they must absent themselves from any discussions involving their own pay and reward. Any external advisory reports or data should be kept confidential for trustee use only.

The terms of reference for the remuneration committee should include:

- **Establishment and membership.** How many members, length of membership, how conflicts are managed.
- **Roles and responsibilities.** What decision-making powers have been delegated to the committee, particularly whether the committee is responsible only for making recommendations to the full board or has full delegated authority to make decisions
- **Appeals procedures.** Details of how pay appeals will be handled.
- **Meeting procedures.** The frequency of meetings, quorum requirements, voting procedures, and the role of the chair.
- **Authority and conduct.** What the committee can procure in terms of external advice and support.
- **Reporting and review.** The dealing and storage of minutes, confidentiality, review, and evaluation of work done, and the terms of reference for the committee.

The remuneration committee is often expected to deal with the annual approval of pay awards to pay scales for teachers and support staff. It is also becoming increasingly common for



remuneration committees to approve pay awards for headteachers given the significant pay possibilities for this role.

Some boards have other committee arrangements including a single committee that deals with performance appraisal and executive pay setting. If that is the case, it is important that this is well documented in the terms of reference.

Where there are separate committees for executive pay and executive performance appraisal, trustees who are members of the remuneration committee should have a link to those trustees who are involved in the performance appraisal of executives, including the receipt of the annual performance report as well as influencing the design of and determination of performance targets.

2. Be clear about which executive roles are in scope for the trust board

We recommend that the remuneration committee determines the pay of the accounting officer and first layer of executive management. As discussed earlier, this could also extend to headteachers; note that school trusts are not currently required to follow maintained school arrangements for headteacher pay and reviews.

Where boards are not involved in setting individual headteacher pay, they should still have access to reference data on these posts to help understand the relative position of headteachers and other senior leaders in the trust.

The remuneration committee should also determine and recommend to the trust board the wider pay policy within which pay decisions for all staff are taken.

3. Have a clear pay policy

We recommend that trusts have a separate policy to deal with executive pay. Areas to cover within the policy include:

- **Scope and compliance:** Executive pay policies usually apply to accounting officer and first tier executives such as the chief operating officer and chief financial officer. This section should also reference relevant legislation, regulatory guidance, and principles of public life, and any guiding principles that the trust follows.
- **Roles and responsibilities:** The composition of the committee responsible for pay decisions should be described. It should also describe the role of the HR function, external advisors, and the treatment and storage of confidential information.
- **Decision making process:** This section should describe the framework for making decisions. It should describe the committee and the delegated authority from the board.
- **Pay determination factors:** This section describes how the trust will determine pay, perhaps using factors such as the nature of the post, qualifications, experience, benchmarking data, and market conditions.
- **Pay progression:** This section should describe if pay is linked to performance and the mechanisms for taking performance outcomes into account for pay progression purposes.



- **Cost of living reviews:** This section will deal with the annual cost of living review process for executives.
- **Pension and other payments:** This section should describe the treatment of pension entitlement for executives, and whether there are other payments that could be awarded to an executive.
- **Appeals process:** The policy should include a structured appeals process for executives dissatisfied with pay decisions, starting from informal discussions to formal appeals.

It is likely that trustees will want to set as an explicit aim that salaries remain competitive in the labour market, through conducting a regular review including benchmarking salaries against other employers. Trustees are likely to want the policy to recognise individual performance and financial rewards through merit. If pay progression is performance related, the appraisal policy should state how performance will be measured and that the annual appraisal report will be shared with the remuneration committee under the executive pay policy.

The trust board may want to include trust obligations and responsibilities and the necessity to manage risk appropriately (this could include financial affordability). In order to determine proportionality, the trust board should consider including other best practice measures including:

- Executive pay by per pupil costs
- Executive pay by per good/outstanding school
- Executive pay ratio as per [The Companies \(Miscellaneous Reporting\) Regulations](#)
- Executive pay ratio to Early Career Teacher (ECT) pay or consideration of the pay multiple of executive pay and the median earnings of the trust's whole workforce
- The totality of leadership costs as an appropriate oversight figure

Education is more than results and league tables. The trust board will want to consider the educational offer provided by the trust in the broader sense, and how executive pay is linked to this and offers value for money.

The board should consider the terms and conditions afforded to the executive as a whole and question the appropriateness of continuing to offer teaching terms and conditions to roles that have less proximity to the work of a teacher. It should also consider the equity of the terms and conditions between the executives.

4. Be transparent and communicate how the trust sets senior executive pay

We recommend that the trust publishes the executive pay ratio as well as supporting information, including the methodology used to calculate the ratio and the reasons for any changes year on year. It should be referenced in the trust accounts and be accessible on the trust website.

5. Consider how the trust will validate decisions on executive pay

Some questions to contemplate:



- Should the remuneration committee consider using an external, experienced HR provider to support the process and offer independent advice?
- Is the committee using recent, high quality external salary benchmarking data?
- Will the committee only source information from the education sector or from the wider public sector and indeed other sectors?
- Once the committee has data, how will the committee interpret that data? Is it skilled and experienced to interpret the data in order to make data-informed decisions?
- How will the committee compare the executive posts in the trust to the benchmarking data?
- Has the committee considered if the wider terms and conditions for executives are appropriate?
- If executive leaders were previously headteachers, and their terms and conditions have not altered – such as working hours, leave, and pensions arrangements – is that appropriate in the context of other senior leaders?
- Is the trust safeguarded against the risks that could emerge by not having sufficiently robust terms and conditions in place? For example, notice periods.
- Does the trust have a robust system for performance related pay? Are the objectives/targets robust enough?
- If the trust follows the principles of automatic pay progression, how is it ensuring a robust approach to performance management so that pay progression is justifiable?



For further advice and support

CST has partnered with Browne Jacobson and [Brightmine](#) to conduct [annual surveys of sector pay](#). The summary report, available to all trusts, contains a high-level analysis of executive salaries, with comparisons between trusts and with other sectors. Brightmine also offer more detailed analysis tools for a subscription fee, with discounted pricing for CST member trusts.

[Browne Jacobson](#) has a [specialist reward practice](#), advising on executive pay setting for school trusts. Regularly advising school trust boards, Browne Jacobson's HR consultants are well equipped to support boards with salary benchmark reporting as well as support with pay policy drafting and terms of reference for committee structures.





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