GUIDANCE PAPER

ASCL Association of School and College Leaders

Setting Pay for Executive Heads/ Principals and Chief Executive Officers

Guidance at a glance

This guidance is designed to assist employers when setting pay for executive heads/principals and chief executive officers (CEOs) in England. It may also be relevant to governing bodies, school and college leaders, and business leaders.

It is essential that setting pay for executive heads/principals and CEOs is transparent and achieves value for money. The trust's pay policy should include details of how pay is set and arrangements for progression, and any bonus payments where applicable.

The terms 'executive head/principal' and 'CEO' are not defined in legislation.

Whether an individual should be paid under the School Teachers' Pay and Conditions Document (STPCD) will be dependent on the leadership model adopted, as well as whether they are a maintained school or in an academy trust that has adopted the STPCD. The model will also determine whether or not they are eligible to join, or remain in, the Teachers' Pension Scheme.

This paper looks in more detail at the following:

1 Ethical pay setting

2 Effective leadership models

3 The three stage leadership pay-setting process

4 Appropriate pay-setting models

5 Pay differentials

6 Consultation

7 Pensions

8 Further information

1 Ethical pay setting

All school and college leaders are public servants, and colleagues in independent schools serve their communities. They are not only expected to lead schools and colleges but also to model best behaviours, including adhering to the Nolan Principles:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

As such, appropriate expenditure of public money and transparent reporting and accounting procedures, including around the setting of leadership pay, are essential elements in maintaining public trust and confidence.

2 Effective leadership models

MATs can adopt a number of different leadership structures. In a small MAT, for example, the senior executive leader can retain the role of substantive head of one of the schools alongside their role as executive head/principal of the trust (the basic model).

Alternatively, where there are more schools, or if they are more challenging, the executive head/principal may be the substantive head of all the schools in the MAT, with day-to-day responsibility delegated to heads of school (the mixed model).

1. **The executive head/principal basic model**

   The executive head/principal is the substantive headteacher of all the schools in the group.

2. **The executive head/principal mixed model**

   The executive head/principal is the substantive headteacher of one school in the group and has an overarching, strategic role for the group.

3. **The CEO model**

   In this model, each of the schools in the group has its own headteacher. The CEO has an overarching, strategic role, without being the substantive head of any of the schools in the group.

STPCD

For the purposes of the SPTCD, a headteacher is the person appointed to carry out the functions pursuant to section 35(3) or 36(3) of the Education Act 2002. The executive head/principal in both the basic and mixed models meets this definition.

Maintained schools are required to comply with the provisions of the STPCD. Many academy trusts choose to adopt the STPCD and the pay policy should state whether this is the case.

Since September 2014, leadership pay should be set using a three stage process.

Bonuses are not payable under the STPCD, and recruitment and retention considerations should form part of stage two below.

3 The three stage leadership pay setting process

Stage one

After defining and setting out the specific role, responsibilities and accountabilities of the post, as well as the skills and relevant competencies required, the school needs to be assigned to a headteacher group. This should be done by calculating the total unit score for the school in accordance with the relevant paragraph of the STPCD.

Stage two

The indicative pay range provided by the basic calculation in stage one may be appropriate for the head of a stand-alone school, but is unlikely to be appropriate for an executive head/principal.

The relevant body should therefore consider the context, complexity and challenge of the role in order to set an indicative pay range.

Some examples of the additional factors that relevant bodies may wish to consider include the following, however, these are for guidance only and this is not an exhaustive list:

- The degree of complexity and challenge associated with accountability for multiple schools and managing across several dispersed sites, which goes significantly beyond that expected of any headteacher of similar-sized school(s), and is not already reflected in the total unit score used at stage one.
- Factors that may impede the trust's ability to attract a field of appropriately qualified and experienced leadership candidates, for example location, specialism, and the level of support from the wider leadership team.
- The level of challenge in relation to improving outcomes across the trust.
- As recruitment and retention payments are not payable under the STPCD to the leadership group, any considerations regarding these factors should be factored in here.

The STPCD allows the pay committee (or equivalent) to set the indicative pay range at a maximum of up to 25% above the top of the relevant headteacher group range. Above that limit, external independent advice must be sought and, should the advice suggest that additional payment is appropriate, a business case must be made and agreed by the full governing body.

The pay range must provide scope for performance-related progression over time.

Stage three

Stage three allows the relevant body to set the starting salary in the light of candidate-specific factors, such as the extent to which the candidate meets the specific requirements of the post.

4 Appropriate pay-setting models

Applying the three stage process to the basic and mixed leadership models

For both the basic and mixed models, the three stage process should be followed by maintained schools or academy trusts who have chosen to follow the STPCD. Even where trusts have not adopted the STPCD, we would recommend that they adopt the process in setting the pay of their executive head/principal as it ensures transparency and value for money.

Basic model

Under stage one, the headteacher group should be calculated by the application of the total unit score of all the schools (as the executive head/principal is the substantive headteacher for all of them).

Under stage two, the relevant body will need to acknowledge that all schools have formed part of the calculation under stage one when assessing the degree of complexity and challenge: there should be no 'double counting'.

Mixed model

Under stage one, the headteacher group should be calculated using the total unit score of only the school for which the executive head/principal is the substantive headteacher.

Under stage two, the relevant body will need to recognise that the executive head/principal has an overarching and strategic responsibility for other schools and account for this when assessing the degree of complexity and challenge.

Pay progression and pay rises: for both the basic and mixed models, the pay and appraisal policies should make clear how pay progression will be assessed and the relevant criteria. Where a spot salary has been awarded rather than a pay range, then the policy should be clear about how the potential annual increase amount will be determined. The policy should also include whether pay progression will include an adjustment to take account of the cost of living, or just be made up of performance-related progression.

CEO model

The CEO role sits outside of the STPCD, as it ceases to be considered a 'teaching role'. This means that the three stage process and headteacher group ranges are not appropriate for the CEO model.

However, the trust's pay policy should make clear how pay is set for all staff, including the CEO. The pay setting arrangements still need to offer value for money and be a transparent and rational way for calculating pay.

It is not appropriate for the policy to merely state that the CEO's pay will be determined by the board, even where a number of factors, such as market forces, are included to help shape the board's thinking. This is because the policy needs to set clear financial parameters within which the pay range or spot salary should be set in order to give public confidence that value for money is being achieved.

In determining how to set appropriate financial parameters, there are two options available:

- A pay and grading structure which is based on a 'points to pay' relationship that has been determined through a job evaluation scheme
- Adopting or adapting a suitable pay range; this could be arranged from elsewhere within the sector (local government or the senior civil service), and using the same principles as the three stage process to determine the most appropriate individual range.

For example, if the employer wished to adapt the pay ranges used by the senior civil service (SCS) they could use the following table to consider which pay band is the most suitable for their context, and then use the principles used in the three stage process above, as well as public accountability, market forces and the pay differential to determine either a spot salary or individual pay range.

SCS pay ranges and median pay by pay band in 2016-17			
Pay band	Pay band minimum	Pay band maximum	Median salary
1	64,000	117,800	75,500
1A	67,600	128,900	78,700
2	87,000	162,500	98,800
3	106,000	208,100	135,900
Permanent Secretaries	142,000	200,000	160,000-164,999

Pay progression and pay rises

The policy should also make clear how pay progression will be awarded, including detailing whether pay progression will make cost of living adjustments in addition to performance-related pay progression.

The employer is not obliged to set a pay range, and may instead choose a spot salary. The benefit of a pay range is that it brings clarity as to the scope of permissible pay progression and possible pay increases each year. Where a spot salary has been awarded, the policy will need to set out within what financial parameters an annual increase could be made, and how eligibility will be determined.

If there has been a significant change in the CEO's responsibilities then it would be more appropriate to reset the pay range in line with the policy, then to make annual awards that sit outside of it.

Additional payments

If non-consolidated bonuses are to be made available, clear criteria should be set out in the policy as to how and when these will be paid. Care should be taken to ensure that bonuses are not awarded for achievements that have, or should have been, recognised as part of the rest of the pay and reward process. For example, work that forms part of the expected role, or for which recognition was given as part of the performance related pay progression. Equally, non-consolidated awards should not be used to replace consolidated awards through the proper use of the performance related pay process.

The policy should also state how and when recruitment and retention payments may be payable and the process for agreeing and reviewing such payments.

5 Pay differentials

There is no requirement in the STPCD for there to be a pay differential between the highest paid classroom teacher, or indeed between a deputy and a headteacher. However, when setting pay the employer should consider the pay differentials within the organisation, and special consideration should be given when setting the pay of a CEO to the gap between their pay and that of school principals, as well as that of the average salary.

6 Consultation

All pay policies should be fully consulted upon with the unions. This includes the pay arrangements for executive head/principals and CEOs.

7 Pensions

Consideration will also need to be given as to the most appropriate pension arrangements.

Executive heads/principals and CEOs, overseeing a number of academies may also be members of the Teachers' Pension Scheme (TPS) under regulations, but the following points must be considered by participating employers:

- There is no definition of 'teacher' in the Teachers' Pensions Regulations, but 'teaching work' is described in other education and teaching legislation. Regulation 6 of the Education (Specified Work) (England) Regulations 2012 sets out the specified work, albeit in relation to work in maintained schools in England.

  "...6. The specified work referred to in the Specified Work Regulations is defined in regulation 5 as:

  (i) planning and preparing lessons and courses for pupils

  (ii) delivering lessons to pupils

  (iii) assessing the development, progress and attainment of pupils

  (iv) reporting on the development, progress and attainment of pupils..."

  The same definition is used for "Teaching work" in regulation 3 of the Teachers' Disciplinary (England) Regulations 2012.

- Whilst executive heads/principals and CEOs, may not be involved in planning and delivering lessons or frontline teaching, they may be actively engaged in the academic side of the school and report to other board members in respect of items (iii) and (iv) above, ie assessing and reporting on the development and progress of students. Employers may therefore consider their role to be within the scope of the TOS. However, if there is little or no 'teaching work' and the role is akin to that of a business administrator, it may be more appropriate for the CEO post to fall outside the TPS and come under another arrangement, for example, the Local Government Pension Scheme (LGPS).

- Employers participating in the TPS are required to consider individual roles to determine whether the postholder meets the eligibility requirements in relation to their contract of employment. The TPS would expect an employer to satisfy themselves that the detail of the role has been accurately captured within the person's job description and that the employer could defend their decision on membership of the TPS, if challenged.

It is for each employer to determine the eligibility of the individual to membership of the TPS in accordance with the Teachers' Pensions Regulations. The person must undertake some academic and teaching roles. Any executive heads/principals or CEOs who occupy a financial or administrative role would not be eligible for membership of the TPS.

If an individual is incorrectly placed into membership of the scheme, action will be taken by the TPS to correct the position and the contributions refunded, so it is important employers carefully consider and assess individual roles before taking a decision as to which pension scheme is most appropriate.

Where alternative pension schemes are offered by an employer, consideration should be given by the employee to the following:

- How much will your contributions to the pension scheme be?
- How much is the employer prepared to pay into the scheme?
- What are the scheme benefits?

You should seek independent advice as to the most appropriate scheme.

Tax Implications

Where you have received a significant pay rise (of approximately £10,000), it is likely that this will have tax implications. You should therefore consider:

- how this will affect your Annual Allowance
- if you will be earning more than £100,000, in which case you will now be required to complete an annual tax return
- if you will be earning more than £134,000, this will begin to reduce your Annual Allowance

Where any of these scenarios apply, you should seek independent financial advice.

8 Further information

Teachers' Pension Scheme
https://www.teacherspensions.co.uk

STPCD 2017
https://www.gov.uk/government/publications/school-teachers-pay-and-conditions

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