



Education & Skills  
Funding Agency

Education and Skills Funding Agency  
Piccadilly Gate  
Store Street  
Manchester  
M1 2WD

[www.gov.uk/esfa](http://www.gov.uk/esfa)

9 May 2019

**Chair of trustees**  
**Trust name**

**Sent via email**

Dear [chair's name]

### **Request for information regarding high executive salaries**

Your 2017 to 2018 submitted accounts return show that you are one of a very small number of academy trusts who have **[an executive salary above £150,000] / [multiple salaries between £100,000 and £150,000]**. I am writing to you in your capacity as the Chair of Trustees to request further information on your process and the rationale for setting these levels of salaries within your academy trust.

You might be aware that last year I wrote to 213 academy trusts that reported paying these levels of salary. The ESFA challenged salaries that seemed disproportionate to the size and/or level of challenges faced by the trust. Since this activity began in December 2017, around 25% of the trusts we have engaged with have reported salary reductions.

Trusts have a responsibility to ensure value for money and that salary and other remuneration payments are transparent, proportionate, reasonable and justifiable. The Education and Skills Funding Agency (ESFA) has a responsibility to ensure that best practice is exemplified in the system to ensure this accountability.

As the person responsible for the governance of your trust, I would suggest that there are some simple and helpful principles to consider when setting the pay of your most senior employees:

1. the educational performance of your organisation;
2. ensuring effective financial performance of your trust and a healthy, balanced budget;  
and
3. the number of pupils being educated in your trust and the degree of challenge in the roles of the highest paid.

The Academies Financial Handbook 2018 sets out in more detail the requirements for setting executive salaries:

**2.4.4** *The board **must** discharge its responsibilities effectively, ensuring its approach to pay is transparent, proportionate and justifiable, including:*

- *process - that the procedure for determining executive pay is agreed by the board in advance and documented*
- *independence - decisions about executive pay reflect independent and objective scrutiny by the board and that conflicts of interest are avoided*

- *decision-making - factors in determining pay are clear, including whether performance considerations, and the degree of challenge in the role, have been taken into account*
- *proportionality – pay is defensible relative to the public sector market*
- *documentation - the rationale behind the decision-making process, including whether the level of pay reflects value for money, is recorded and retained*
- *a basic presumption that non-teaching pay should not increase at a faster rate than that of teachers, in individual years and over the longer term*
- *understanding that inappropriate pay can be challenged by ESFA, particularly in any instance of poor financial management of the trust.*

In line with this strengthened position, please update me as to how you propose to address the issue of high pay in your trust by completing the annex attached for each of those individuals in your trust earning more than £100,000.

I would be grateful if you would send the completed annex together with a copy of your trust's current pay policy to [academy.questions@education.gov.uk](mailto:academy.questions@education.gov.uk) by [XX] May 2019.

You should be aware that all of your employees participating in the Teachers' Pension Scheme will benefit from a rise in employer contributions of some 42% from 1st September. This is an enormous increase and should be considered in the remuneration structure of your senior non teaching staff if they are currently benefiting from this scheme. This alone is equivalent to a 7% pay rise - in itself, double that awarded last year to teachers on the main scale pay structure. It is important for boards to note that this pension scheme, one of the best of its kind in Europe was designed for teaching staff. Senior non-teaching staff have no automatic right to participate.

Please note a copy of this letter will be published on the GOV.UK showing trusts who have received this letter.

Many thanks in advance for your co-operation on something that I regard as being a critically important matter.

Yours sincerely



**Eileen Milner**

Chief Executive, Education and Skills Funding Agency

## Annex

Trust Name	[XX]
Companies House Number	[XX]
Rationale for setting salary level and evidence that a robust process was followed in line with the requirements set out in the Academies Financial Handbook 2018.	
Basic salary.	
Contractual notice period.	
Performance-related pay and other bonuses awarded during the financial year.	
Pension contributions and payments in lieu of pension contributions, including information on participation in the Teacher Pension Scheme and/or the Local Government pension scheme.	
Salary sacrifice arrangements.	
Compensation for loss of office.	
Any sums paid under any pension scheme in relation to employment with the provider.	
Non-taxable benefits that are available only to senior members of staff.	
Other remuneration and the cost to the provider of providing each type of remuneration.	
Details of succession planning for highly paid incumbents including any intention to reduce the level of salary.	
Details on whether these salaries were inherited from a Local Authority following conversion to an academy trust.	