

Executive pay – new benchmarking data for school trusts

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The first national salary benchmarking survey for executive leaders in school trusts, has been published on 13 October 2021. It has been conducted by XpertHR, with the support of the Confederation of School Trusts (CST) and their platinum partner, Browne Jacobson. This is a really important step for our sector in terms of finally having data that Boards are able to use in order to make fair, robust and evidence-based executive reward decisions.

With the increased regulation in the Academy Trust Handbook and the general increased interest in executive pay in the UK, this salary survey couldn't have come sooner. Whilst the ESFA have not sent a letter requiring the justification for executive pay for quite some time, there has been no decision to stop this action, therefore this data should be welcomed as key data to help inform pay decisions going forwards. It is fair to say that without this information pay decisions are certainly trickier.

Without this data, most trustees do not know with any surety what the market expectation is for CEO pay in a trust of their organisation's size. Without benchmarking data, pay decisions tend to be made with various sources of information ranging from informal data sharing with other trusts in the sector or simple google searches. Most options are limited and lack rigour. Some trusts have chosen to take a more rigorous approach and have recognised the benefits of comparing the pay on offer to their executives against pay offered in other comparable organisations across multiple sectors. If asked to justify salary decisions, it is these trusts that have a stronger rationale to provide.

Salary benchmarking has so many uses beyond the annual pay review including:

- Deciding the salary for a new role/vacancy;
- Planning for and quantifying the cost of growth in central team resource;
- Dealing with pay appeals where an executive believes that their pay is inappropriate;
- Deciding best approaches to executive reward if spot salary is not the desired approach;
- Talent retention;
- Managing expectations.

Whilst salary benchmarking won't entirely prevent the loss of executives to other organisations it will help trusts to see how competitive the pay offered is within the marketplace.

If you are new to salary benchmarking, it will be important for you to know that the traditional salary benchmarking process gathers information on pay from various organisations. It then goes on to compare pay based on role and level. The data can then be refined to organisation size and location for further comparability.

The salary survey produced by XpertHR can do those things as well as allowing comparisons to be refined by parameters such as trust size (both number of schools within the Trust and pupil numbers across the Trust), phase, religious affiliation, as well as detailed UK region, comparisons of part time and full time employees and article-based content summarising pension provision and contribution, and health benefits. The Cendex tool, provided by XpertHR, also gives Boards the ability to bring in salary benchmarking data from other

sectors as well, e.g. charities and the wider public sector, as well as others. This data may be relevant if the Board is trying to benchmark a corporate function role like a CFO for example.

As a recipient of benchmarking data, you can expect to receive data that includes the average, median, lower decile, lower quartile, upper quartile and upper decile salary for each role. You will need to decide as a Board which is the appropriate measure for your organisation although most choose median.

It is fair to say that reward advice is fairly expert and not everyone will have the skills and experience of knowing a) how to use the data and b) how best to interpret it. It is advisable that Boards consider if there is expertise within the People Director role and if not, consider if an independent advisor is required. Browne Jacobson has been advising Boards on executive reward for the past four years and is able to provide independent advice.

Salary benchmarking data can throw up particular challenges for Boards. For example, the situation where a CEO is underpaid compared to the market median or the CEO is overpaid compared to the market median. Whilst topping pay up to the market median is far straighter forward than reducing it, it still isn't without its challenges especially if the financial situation in the Trust is such that the funds aren't there to do it. In the situation where a CEO is paid more than the market median, a simple pay cut is fraught with employment risks, so it is recommended that Boards take specialist advice in knowing how best to navigate this situation. In each of these examples the Board is keen to keep hold of a talented executive and that must be at the heart of the approach that the Board decides to take. This is where Browne Jacobson can help advise how best to manage this situation.

The rationale for Boards to include salary benchmarking data in their formal executive salary decision making is clear. It is a core governance duty for Boards to make robust evidence-based decisions and where executive salary decisions are concerned, salary benchmarking data is a clear aspect of meeting that expectation.

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