



School Teachers' Review Body

Twentieth Report – 2011

Chair: Dr Anne Wright, CBE

Cm 8037
£15.50



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Presented to Parliament by the Prime Minister
and the Secretary of State for Education
by Command of Her Majesty
May 2011

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This publication is also available for download at www.official-documents.gov.uk

ISBN: 9780101803724

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office.

ID P002424151 05/11

Printed on paper containing 75% recycled fibre content minimum.

TERMS AND ABBREVIATIONS

Consultees	<i>Organisations which made representations and provided evidence to STRB</i>
ASCL	Association of School and College Leaders
ATL	Association of Teachers and Lecturers
BATOD	British Association of Teachers of the Deaf
DfE/the Department	Department for Education
NAHT	National Association of Head Teachers
NASUWT	National Association of Schoolmasters Union of Women Teachers
NEOST	National Employers' Organisation for School Teachers
NGA	National Governors' Association
NUT	National Union of Teachers
Secretary of State	Secretary of State for Education
Six Unions	ASCL, ATL, NAHT, NUT, UCAC and Voice
UCAC	Undeb Cenedlaethol Athrawon Cymru (National Association of the Teachers of Wales)
Voice	formerly the Professional Association of Teachers (PAT)
 Other	
CPI	Consumer Prices Index
HR	Human Resources
ISR	Individual School Range
OBR	Office of Budgetary Responsibility
OME	Office of Manpower Economics
RIG	former Rewards and Incentives Group (which comprised: ASCL, ATL, the Department for Children, Schools and Families, NAHT, NASUWT, NEOST and Voice)
RPI	Retail Prices Index
SEN	Special Educational Needs
SIP	School Improvement Partner
STPCD	DfE (2010) <i>School Teachers' Pay and Conditions Document and Guidance on School Teachers' Pay and Conditions</i> , TSO
SSRB	Senior Salaries Review Body
STRB/ Review Body	School Teachers' Review Body
VAT	Value Added Tax

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THE SCHOOL TEACHERS' REVIEW BODY

Our role

The School Teachers' Review Body (STRB) was established in 1991 as an independent body to examine and report on such matters relating to the statutory conditions of employment of school teachers in England and Wales as may from time to time be referred to it by the Secretary of State. STRB reports to the Prime Minister and the Secretary of State. The legal foundation for the function and work of STRB is Part Eight of the Education Act 2002. The secretariat for STRB is provided by the Office of Manpower Economics (OME).

The members of STRB are:

Dr Anne Wright, CBE (Chair)

Professor Peter Dolton (to January 2011)

Dewi Jones

Elizabeth Kidd

Esmond Lindop

Stella Pantelides

Jill Pullen

Anne Watts, CBE

Our vision and principles for teachers' pay and conditions

Through our work on teachers' pay and conditions, we seek to contribute to the achievement of high standards in schools and services and excellent outcomes for pupils throughout England and Wales. We have developed a vision in pursuit of this goal, which we review and amend from time to time.

We envisage a world-class teaching profession which:

- attracts excellent graduates;
- is diverse and representative;
- retains highly motivated and committed teachers;
- is fairly rewarded;
- provides equal opportunities;
- is efficient, effective and accountable;
- is encouraged, supported and trained; and
- is trusted, respected and valued.

We envisage that teachers will work in schools and services where:

- leaders are able to make decisions without detailed rules and guidance;
- governors, heads and teachers are comfortable with the concept of rewards related to performance;

- high quality performance management and professional development are available to all teachers to help them to improve standards;
- schools and services have the confidence and capability to assess performance and reward staff; and
- performance and reward systems are managed effectively, transparently and fairly.

The national framework of teachers' pay and conditions, laid down in the STPCD, should help to achieve this vision; be underpinned by clearly stated objectives; form part of an effective, coherent HR strategy; embody the principles of good regulation, and help to minimise administrative burdens on schools and services. It should also be:

- accessible and understandable for teachers and their employers;
- proportionate – setting national rules, parameters and giving guidance only when essential; and
- enabling – providing workable arrangements and useful management tools, and significant scope and encouragement for local discretion.

Our values and ways of working

- We embrace the Seven Principles of Public Life;
- we act independently, professionally and fair-mindedly;
- we work as a team with trust, openness and frankness;
- we work to maintain good relations with and among all our consultees;
- we give full consideration to the national interest and the interests of the teaching profession; and
- we strive for continuous improvement in our working practices and judgments.

To maximise our effectiveness and value, and ensure that our work is of the highest achievable quality, we will:

- report on time and with robust analysis and conclusions;
- consult appropriate parties, consider and give due respect to our consultees' representations and examine the evidence they provide and highlight;
- identify and consider relevant statistical, economic and research evidence, including where necessary, seeking external information;
- look to OME for analytical, policy, drafting and administrative support;
- keep in touch with schools and services on the ground;
- meet to identify, analyse, discuss and advise on issues fundamental to our role;
- not only react to remit matters, but be proactive as we judge appropriate in support of our vision; and
- be accessible to those who might wish to consult us either publicly or privately, while safeguarding our independence.

Overview and recommendations

This overview provides a summary of our report and recommendations. Our main recommendations are set out at the end of each section. More detailed evidence and analysis is in the main body of the report.

The Secretary of State's remit letter of 27 October 2010 asked us to consider two issues:

- **pay for those teachers earning £21,000 or less**, in the context of the two-year public sector pay freeze that will affect teachers from September 2011; and
- whether there should be **a limit on the value of the discretions that can be applied to head teachers' pay**; and if so, what it should be and how it should be applied.

We considered carefully evidence from the Department and consultees on both questions. We were mindful of the economic background, the priority the Government gave to its deficit reduction plan and its wish to ensure both a degree of protection for the lowest paid public sector workers and that senior public sector staff should set an example in pay restraint at this time. We also heard concerns about pressures on school budgets following the Spending Review which would add to the importance of ensuring funds were spent to best effect. We set out the economic context and broader evidence in Chapter 2 of this report.

Payment for teachers earning £21,000 or less (Chapter 3)

The only teachers whose full-time equivalent pay is £21,000 or less are some of those on the Unqualified Teacher scale. For them, the Department proposed a non-consolidated payment of £250. It emphasised in evidence that those Unqualified Teachers earning below the threshold were eligible for annual progression payments of about £1,840 and would therefore generally receive a significant pay addition through these increments. Many Unqualified Teachers were also in work-based training or were overseas teachers who had not yet qualified to teach in this country, and would in many cases progress quickly to the pay scale for classroom teachers and thus to earnings above £21,000.

We heard evidence from union consultees on the importance of protection for those on lower pay, and on the impact of the pay freeze at a time when inflation remains high. Many consultees emphasised their view that the payment should be consolidated if it was to serve as effective protection. Some also stressed the need to protect those working part-time, sometimes not through choice, arguing for them to receive the full £250 payment.

In reaching our recommendations we were guided overall by the purpose of this payment – to provide some protection to the lowest paid in the context of the two-year public sector-wide pay freeze – and by the particular features of the Unqualified Teacher workforce, who continue to benefit from incremental progression and who, in many cases, remain on the scale for only a short time.

We heard no evidence to support a specific higher figure than that proposed by the Department, which was in line with Treasury guidance to all review bodies.

We were also mindful of the current cost pressures on school budgets and wanted to avoid the distortion of established pay scales which would arise if the payment were consolidated. Taking these factors into account, **we believe a non-consolidated payment of £250 is appropriate.**

On the treatment of part-time Unqualified Teachers, **we believe it is important to maintain the principle of pro-rated payments for those working part-time,** and recommend accordingly for those part-time Unqualified Teachers eligible for the payment.

We also considered the particular position of Unqualified Teachers in London and the Fringe who do not receive a specific London allowance or weighting, but are paid on separate (higher) pay scales than teachers in the rest of the country. The Department proposed that the payment should be made to all Unqualified Teachers on points 1-3 of the scale. We agree that this approach is consistent with the intent of the Treasury guidance on this issue.

We **recommend** that:

- a non-consolidated payment of £250 be made in both years to all full-time teachers on points 1-3 of the Unqualified Teachers' scale; and
- the £250 payment be pro-rated according to their working hours for part-time teachers on points 1-3 of the Unqualified Teachers' scale.

Limiting the value of discretions that can be applied to head teacher pay (Chapter 4)

This is a significant remit which highlights two crucial issues on which we have commented in previous reports: remuneration for head teachers and governance of the arrangements for setting and reviewing such remuneration. Our proposals build on the approach we set out in those reports.

Consultees put to us a strong case that we should consider the question of limits on head teacher pay only in the context of a wider leadership review. Some acknowledged, however, that there should be limits to certain payments and that there was a case for ensuring consistency of treatment between head teachers of schools of different group sizes. The Department made clear that there was a need to incentivise head teachers to take on the most demanding roles. However, it said there should be a limit of 25% for all discretionary payments and increases above an individual head teacher's basic salary. All consultees supported remuneration within a national framework that was fair, transparent and capable of being applied consistently.

We have taken account of the current economic and political context and evidence which indicates that the earnings of small but not insignificant numbers of head teachers are higher than would be expected, given the rates

set out in the STPCD. We noted evidence from research commissioned for us, which suggests that additional payments are not uncommon, and that many governing bodies and head teachers would see merit in a monetary ceiling or cap, and/or a requirement for a business case to agree any payments above the top of the scale.

We consider **the case has been made in principle for a limit to be put in place.** Accordingly we have considered carefully in the light of all the representations what such a limit should be and how best that might operate. In the course of our deliberations we have concluded that effective governance is key to ensuring appropriate reward whilst maintaining proper oversight of public funds.

In our view, the existing head teacher group ranges provide appropriate remuneration for a head teacher in the great majority of cases. **It should be the normal expectation that this remuneration covers a head teacher's full role, including the challenges within a school and a wider contribution across the education system.** We believe it is the responsibility of governing bodies to apply this approach rigorously. However, we recognise there may be particular circumstances where there is a compelling justification for using the existing discretions to provide an additional incentive or reward e.g. where a head teacher takes on responsibility for an additional school or where there are substantial recruitment or retention difficulties.

We considered carefully how a limit should be applied. Our view is that **an overall limit should apply to all the current discretions in the STPCD once the initial or "base" ISR has been established,** with two specific exceptions: residential duties where they are a requirement of the post; and any specific relocation expenses.

In considering the appropriate level for a limit, we noted existing provisions which, in certain specified circumstances, permit the ISR to be raised by up to two groups or a pay uplift of between 5% and 20%. We wish to allow limited scope in principle to go higher than this, if the governing body considers it clearly justified, although we expect such cases to be few in number. We therefore recommend **the total of all discretions should not exceed the limit of 25% above the individual's point on their "base" ISR, in any given year.**

Head teachers sometimes receive income from more than one source, for example, for their role as head of their own school and separately for their role in advising another school. We recommend that **governing bodies should ensure they have oversight of all the contractual arrangements and income streams applying to the head teacher.** They should take an overall view of the head teacher's role, including any work outside the "home" school. All head teacher posts involve some degree of challenge and governing bodies should consider carefully whether any additional use of discretions is justified. They must consider the needs of the "home" school, including the impact on the rest of the leadership team, before agreeing to additional work and before deciding on the allocation of any additional payment between the head teacher and the school.

Governing bodies must ensure that there is **a transparent process for deciding a head teacher's pay** with a clear justification for any increase or payment beyond

the “base” ISR. The total remuneration and its component parts should be disclosed to the full governing body.

We consider it should be **wholly exceptional to exceed the 25% limit**. If any such case arises, the relevant committee must make a business case to the full governing body, which must seek external independent advice in reaching its decision.

Our **main recommendations** are as follows:

- There should be an overall limit on the discretions that can be applied to head teachers’ pay.
- There should be a “base” ISR for a head teacher clearly defined in the STPCD and it should be the normal expectation that this remuneration covers the head teacher’s full role.
- Any discretions above “base” ISR pay should be used only when clearly justified and the total of all discretions should not exceed the limit of 25% above the individual’s point on their “base” ISR in any given year.
- Governing bodies should ensure they have oversight of all the contractual arrangements and income streams applying to the head teacher.
- It should be wholly exceptional to exceed the limit of 25% above “base” ISR, but where it is necessary to consider an exception, a business case must be presented to the full governing body, which must seek external independent advice in reaching its decision.

We **also recommend** that:

- The Department re-draft the provisions in the STPCD to give effect to our recommendations, including in particular:
 - Making clear it should be the normal expectation that the remuneration provided by the “base” ISR, as set out in paragraphs 4.55 – 4.57, should encompass all the responsibilities of a head teacher, for example, the need to address improvement challenges in the “home” school and a wider contribution across the education system such as the sharing of good practice and liaison with other service providers.
 - Making clear the role of the governing body in considering wholly exceptional cases to exceed the limit. This must require the relevant committee to make a business case for the exception to the full governing body, which must itself seek external independent advice before making a decision on whether it is justifiable to exceed the limit and the amount of the total remuneration. There must be a clear audit trail for any advice given to the governing body and a full and proper record of all decisions and the reasoning behind them.

We **further recommend** that the Department should:

- Seek better to align the structure of the STPCD so as to draw together in one place all existing discretions as they impact on head teachers and locate provisions on head teachers' pay alongside statements on head teachers' professional responsibilities.
- Consider what arrangements should be put in place to monitor the use of exceptions to the limit on discretions.
- Consider how to give effect to our recommendation that governing bodies should ensure they have oversight of all the contractual arrangements and income streams applying to a head teacher, e.g. by a single contract for head teachers, overseen by the governing body.

Looking ahead (Chapter 5)

We expect to give attention to two issues in the coming year. First, the Secretary of State signalled in his remit letter that he intends to give us a further remit asking us to examine the scope for, and make recommendations on, greater freedoms and flexibilities in the framework for teachers' pay and conditions.

Second, we recognise that continuing public sector pay restraint and expected pension reforms could affect recruitment and retention of the teacher workforce. It will therefore be important for us to monitor trends in teacher supply during this period.

CHAPTER 1

Introduction and background to the remit

Introduction

1.1 In his remit letter of 27 October 2010, the Secretary of State asked us to consider two issues. The first was a pay award for those teachers earning £21,000 or less – teachers earning above that threshold were subject to the public sector pay freeze announced in the June budget. The second was a limit on the discretions that can be applied to head teachers' pay. We were asked to report on these two issues by 28 February 2011 and 30 March 2011 respectively. Our remit is reproduced in Appendix A.

1.2 In this Chapter, we reflect on the response to our recommendations made in March 2010; set out the background to our current remit; and outline the structure of this report.

Previous administration's response to recommendations in our Nineteenth Report

1.3 Our Nineteenth Report was submitted to the (then) Secretary of State on 12 March 2010¹. It made recommendations on Special Educational Needs (SEN) allowances and on criteria for posts in the leadership group. The report was published by the Government on 30 March 2010. In a Parliamentary statement on that date, the Secretary of State set out how he proposed to respond to our recommendations and invited comments from teachers' representatives and other relevant organisations on our report and on his proposed response.

1.4 We recommended that SEN allowances should be paid to teachers working in specified SEN roles but that the existing system of two separate allowances be replaced with spot value allowances that fall within a specified SEN range. These recommendations were accepted by the new Secretary of State and implemented in the STPCD from September 2010.

1.5 We also recommended that there should be certain specified criteria for leadership posts. Following consultation, the new Secretary of State decided not to implement criteria for leadership posts as the Government was committed to giving schools greater flexibility and freedoms on teachers' pay and conditions.

Background to our remit

1.6 Our current remit is set against the context of the coalition Government's deficit reduction plan set out in an emergency Budget on 23 June 2010. This included a two-year pay freeze for public sector workers, except those earning less than £21,000. The Chief Secretary to the Treasury subsequently wrote

¹ STRB (2010) *Nineteenth Report*, TSO (Cm 7836)

to all the pay review bodies setting out how he expected them to approach pay rounds under this policy. He said the Government would be seeking a pay award of 'at least' £250 for public sector employees earning £21,000 or less, and set out the Treasury's guidance on the definition of employees covered and the size of the increase. That guidance is reproduced in Appendix B.

1.7 In his Budget Statement, the Chancellor also signalled longer term changes on public sector pay and pensions. The Government had asked John (now Lord) Hutton to chair the Independent Public Service Pensions Commission, to undertake a fundamental structural review of public service pension provision and report by Budget 2011. It had also asked Will Hutton to make recommendations on promoting pay fairness across the public sector, without increasing the overall pay bill, including on the introduction of a pay multiple so that those at the top of organisations are paid no more than 20 times the salaries of those at the bottom.

1.8 The Chief Secretary to the Treasury subsequently announced that at a time of public spending constraints, public sector leaders should show restraint in their own pay packages. He noted a requirement that in future, all central government pay packages worth more than £142,500 – the level of the Prime Minister's salary – would have to be authorised personally by him².

1.9 It was against this backdrop that the new Secretary of State for Education wrote to the Chair of the School Teachers' Review Body, Dr Anne Wright³. He sought her views on the proposal that there should be an upper limit on leadership group remuneration in line with principles formulated in our Eighteenth Report Part One, and his view that salary should not exceed that of the Prime Minister. He also consulted her about disapplying the need to remit this matter to the Review Body.

1.10 In response the Chair emphasised that the Review Body had for some time been concerned about the open-ended nature of the salary options for head teachers of large schools. She suggested that the Review Body be remitted to review and consult on the proposal for an upper limit as an interim arrangement, ideally in the context of a wider review of leadership pay⁴. The Secretary of State agreed this would be appropriate, an outcome welcomed by the Review Body and by other consultees.

Conduct of our review

1.11 We invited consultees to submit written representations in the usual way, as we are statutorily required to do. This was the first time for several years that most of the teacher unions and NEOST did not submit joint representations with the Government. We received separate submissions from the Department; a joint submission from six unions – ASCL, ATL, NAHT, NUT, UCAC and Voice; and separate submissions from BATOD, Governors Wales, NASUWT, NEOST and NGA.

2 Speech by the Chief Secretary to the Treasury, 24 May 2010 http://www.hm-treasury.gov.uk/press_06_10.htm

3 Letter of 5 July 2010 from Michael Gove to Dr Anne Wright <http://www.education.gov.uk/inthenews/inthenews/a0061811/michael-gove-moves-to-cap-excessive-pay>

4 Letter of 15 July 2010 from Dr Anne Wright to Michael Gove http://www.ome.uk.com/STRB_Correspondence.aspx

1.12 The two head teacher unions (ASCL and NAHT) made joint oral representations and five teacher unions, including four who had contributed to the joint submissions, attended separate oral representation sessions. We also heard oral representations from the Department, including the Secretary of State, NEOST and NGA. We have set out in the relevant chapters key points made by consultees in written and oral evidence. However, given the number of consultees involved we do not offer in the report a comprehensive account of all the evidence. Further details are in Appendix D.

1.13 Our timetable for this report has been particularly challenging and some consultees encountered difficulties in presenting their submissions to the deadlines we had set. This, inevitably, impacted on other consultees and on the Review Body. Our secretariat will work with the Department to try to avoid such a compressed timetable in future.

Structure of this report

1.14 This report broadly follows the pattern of our previous reports. In this Chapter we have set out the background to the remit. Chapter 2 provides an overview of the economic context and the Government evidence on the economy, and notes points made by other consultees on the wider context. Chapter 3 sets out the evidence relating to pay for those teachers earning £21,000 or less, our analysis and recommendations. In Chapter 4 we consider the specific background and evidence relating to a limit on the discretions on head teacher pay and present our analysis and recommendations. In Chapter 5 we look forward to the next remit, which was trailed in the remit letter at Appendix A and in the Department's White Paper, *The Importance of Teaching*⁵.

1.15 The following chapters and Appendix D describe how we have conducted our work. We would like to thank our consultees for their submissions and oral representations. We are also very grateful to those schools and local authorities we visited in the summer and autumn terms of 2010. Such visits add an important dimension to our understanding of the issues facing teachers in their working lives, and of how they view their pay and conditions.

5 DfE (2010) *The Importance of Teaching*, TSO (Cm 7980) paragraph 2.31

CHAPTER 2

Economic and wider context

Introduction

2.1 In considering our recommendations, the Secretary of State has asked us to have particular regard to the need to make all recommendations affordable within the context of the Government's plans for deficit reduction; and to take account of relevant recruitment and retention data and the wider economic and labour market conditions. This chapter begins by setting out the economic context and outlook for the remit, drawing on briefings provided by OME analysts in the course of this remit¹. It goes on to summarise the Government's and consultees' views on these issues in relation to the teacher workforce.

Economic context

Growth

2.2 The UK economy grew in the first three quarters of 2010 but contracted in the final quarter. There is considerable uncertainty about the timing and strength of recovery. The Bank of England commented in February that while growth appears likely to resume, the continuing fiscal consolidation and squeeze on households' purchasing power are likely to act as a brake. Its assessment was that 'the outlook for growth remains highly uncertain'². In November the Office for Budgetary Responsibility (OBR) published its central forecast that the economy would continue to recover from the recession, but at a slower pace than in the recoveries of the 1970s, 1980s and 1990s. The OBR GDP growth forecasts are 2.1% for 2011 and 2.6% for 2012³.

Inflation

2.3 The annual inflation figures for January 2011 showed CPI inflation at 4%, its highest rate since 2008. January RPI inflation measured 5.1%⁴. In his letter to the Chancellor, the Governor of the Bank of England explained that three factors accounted for the high level of inflation: the rise in VAT relative to a year ago, the continuing consequences of the fall in sterling in late 2007 and 2008, and recent increases in commodity prices, particularly energy prices. He said there was a great deal of uncertainty about the medium-term outlook for inflation and that annual CPI inflation is likely to continue to remain somewhere between 4% and 5% over the next few months, appreciably higher than previous projections, before falling back in 2012⁵.

1 This chapter draws on data available up to the end of February 2011.

2 Bank of England (2011), *Inflation Report February 2011*

3 Office for Budget Responsibility (2010), *Economic and Fiscal Outlook – November 2010*

4 Office of National Statistics (2011), *Consumer Price Indices January 2011*

5 Bank of England (2011), *Letter from the Governor to the Chancellor 14 February 2011*

Labour Market

2.4 The UK employment rate for those aged from 16 to 64 has remained stable over the past year. The figure for the three months to December 2010 was 70.5%, only 0.1 percentage point lower than a year earlier. The number of people in part-time work because they could not find a full-time job rose by 44,000 to 1.19 million in the three months to December 2010, the highest since records began in 1992.

2.5 The UK unemployment rate has also been stable during 2010. The rate for the three months to December 2010 was 7.9% (up 0.1% on a year previously). The number of people unemployed increased by 44,000 to almost 2.5 million in the three months to December 2010⁶.

2.6 Median pay settlements remained broadly constant at around 2% for most of 2010 with signs of some increase at the start of 2011⁷. We note that these settlement levels remain significantly below the prevailing rates of inflation. Annual growth in average weekly earnings (including bonuses) was 1.8% in the three months to December 2010. Excluding bonuses, earnings grew by 2.3% over the same period. We note that earnings growth in the public sector has significantly exceeded that in the private sector since early 2009 but that the rates are now converging.

The Government's evidence on the economic and wider context

2.7 The Government said that its deficit reduction plan, set out in the June Budget and the October Spending Review, was an urgent priority if economic stability was to be secured. It considered that managing public sector pay was central to its plans for fiscal consolidation as pay represented around half of departmental resource spending. Against a backdrop of rising demand for public services and a tighter spending environment, public sector pay restraint – including teachers' pay – was critical to protecting the quality of public services. The Government said this also meant that obtaining better value for money from the teacher paybill was now even more important.

2.8 The Government said that weaker labour market indicators also supported pay restraint in 2011/12 and 2012/13. It emphasised recent trends which had seen earnings growth and settlements in the private sector at a markedly lower level than those in the public sector. It also highlighted what it saw as the relative competitiveness of the reward package for public sector workers. In this context, it referred to the interim report of Lord Hutton's review of public sector pensions which had concluded that there was a clear rationale for public servants to make a greater contribution if their pensions are to remain fair to taxpayers and employees, and affordable for the country⁸. The Government set out its initial response to the interim report in the Spending Review, including its commitment to continue with a form of defined benefit pension and an intention to implement progressive changes to the level of employee contributions, equivalent to three percentage points on average, to be phased in from April 2012. Lord Hutton's final report was published on 10 March 2011.

6 Office of National Statistics (2011), *Labour Market Statistical Bulletin February 2011*

7 OME analysis of IDS settlement data

8 HMT (2010), *Independent Public Service Pensions Commission: Interim report*

2.9 The Government also set out the fiscal position for schools. It said that school funding in England would be protected over the four years of the Spending Review with per pupil funding remaining flat in cash terms; this excluded the addition of a pupil premium for disadvantaged children. It pointed out that this did not replicate the rises schools had been used to in the previous decade. In light of this, it said that schools should consider carefully how best to spend their money to support their core purpose of teaching and learning. The Department's evidence also described as 'tight' the local government settlement in Wales, which included the funding for schools.

Consultees' views on the economic and wider context

2.10 NEOST also referred to the Spending Review. It said that local authorities were concerned about cost pressures on schools and that although the settlement for schools was generous when compared to funding decisions relating to other areas of local government, it would still lead to a reduction in per pupil funding when predicted increases in pupil numbers over the period were taken into account. It also noted that in contrast to the award of a 2.3% salary increase for teachers effective from 1 September 2010, local government staff generally were not awarded any pay increase at all in 2010.

2.11 The Six Unions⁹ noted that this was the first time since its establishment in 1991 that the STRB had not been asked to consider qualified teachers' pay over any particular period of time. They said that the proposed teachers' pay freeze from 2011 to 2013 would affect teachers' real and relative earnings and would have implications for teacher supply, referring to experience from previous recessions. The Six Unions also noted the ageing profile of the teacher workforce and said that all these factors meant that recruitment and retention factors could not be taken for granted. In this context the Six Unions said they believed that the STRB should play a full role in monitoring teacher supply over the period of the pay freeze.

2.12 In their supplementary evidence, the Six Unions said they did not accept some of the points raised in the Government's evidence, including the argument that pay decisions should look beyond 'temporary' factors. The Six Unions said this failed to take account of the impact on teachers of the pay freeze.

2.13 In oral evidence, the Six Unions emphasised their concern about the absence of a wider pay remit, noted the impact of inflation and imminent changes to pensions on teachers' standards of living and repeated the need for teacher supply to be monitored closely.

2.14 NASUWT noted what it saw as significant progress over the past decade in respect of teachers' pay and conditions. This included workforce remodelling, and changes to professional standards and to the pay structure. It said it believed that the national pay and conditions framework was critical in enabling the profession to focus on its core responsibilities of teaching and learning and providing the highest standards of education for all pupils. In this context, it expressed concern about the Secretary of State's intention,

9 ASCL, ATL, NAHT, NUT, UCAC, Voice.

highlighted in the remit letter, to issue a further remit to the STRB on the introduction of *'greater freedoms and flexibilities'*.

2.15 NASUWT noted that Review Bodies across the public sector had been given no opportunity to examine either the need for, or the impact of, a pay freeze. It said it did not see any justification for this and believed it would compromise the excellent progress made to reform the teachers' pay structure; had no sound economic basis; and would in effect constitute a considerable pay cut for teachers, given prevailing rates of inflation.

Summary

2.16 Our economic overview in paragraphs 2.2 – 2.6 has highlighted the challenging economic climate facing the country and the uncertain outlook in the short to medium term. This uncertainty, together with the Government's policies of pay restraint and public sector pension reform, will affect all public sector workers, including teachers. It will be important for us to monitor any consequential impact on teacher supply and retention, a point we emphasise when we look ahead to the next round in Chapter 5.

CHAPTER 3

Pay for teachers earning £21,000 or less

Introduction

- 3.1 The Secretary of State asked us to make recommendations¹ on:
*what pay uplift should be awarded to those teachers earning £21,000 or less in the context of the two-year public sector pay freeze that will affect teachers from September 2011; and the Chief Secretary to the Treasury's instruction that there should be a minimum award of £250 in each of these two years*².

Context

3.2 Chapter 2 set out the economic background to this remit. In the context of the public sector pay freeze, the Government made clear in evidence to us that it was seeking recommendations on those earning £21,000 or less in order to offer a degree of protection for those in lower paid groups. We were tasked with assessing what level of protection should be afforded to the lowest paid teachers – within the parameters of the Treasury guidance to Review Bodies on this matter³. This is somewhat different from the normal pay remits we receive which seek evidence-based recommendations drawing on a wide range of factors, including recruitment and retention.

Scope

3.3 In the context of the teacher workforce, the only group within scope is Unqualified Teachers as the minimum full-time equivalent salary for qualified teachers exceeds £21,000 in all pay band areas. The pay scales for Unqualified Teachers range from a minimum of £15,817 in England and Wales to a maximum of £29,088 in Inner London.

1 Note that the recommendations in this chapter have already been submitted to the Government to meet the deadline of 28 February for this remit item.

2 Letter from Secretary of State for Education to Dr. Anne Wright 27 October 2010 (see Appendix A).

3 Guidance from Chief Secretary to the Treasury to Review Body Chairs, 26 July 2010 (see Appendix B).

Unqualified Teachers Pay Scale 2010

<i>Scale point</i>	<i>Annual Salary England and Wales (excluding the London Area)</i>	<i>Annual Salary Inner London Area</i>	<i>Annual Salary Outer London Area</i>	<i>Annual Salary Fringe Area</i>
1	£15,817	£19,893	£18,789	£16,856
2	£17,657	£21,731	£20,629	£18,695
3	£19,497	£23,571	£22,470	£20,534
4	£21,336	£25,410	£24,311	£22,374
5	£23,177	£27,249	£26,150	£24,213
6	£25,016	£29,088	£27,992	£26,052

There are approximately 14,400 full-time equivalent Unqualified Teachers in England of whom an estimated 50% are on a basic salary of £21,000 or less. There are 300 full-time equivalent Unqualified Teachers in Wales⁴.

Evidence from the Government and other consultees

3.4 We were grateful to all those who submitted evidence in writing and at oral evidence sessions. We considered their analyses and views very carefully in reaching our recommendations. We set out first the Government's proposals and consultees' overall views; and then the key points put to us by all the parties on more detailed issues such as consolidation and treatment of part-time teachers.

3.5 In its evidence, the Department referred to the Government's announcement in the June 2010 emergency budget of a pay freeze for those earning more than £21,000. In oral evidence, the Department emphasised the wider importance of public sector pay restraint in the context of the deficit reduction programme and said that a payment for Unqualified Teachers earning £21,000 or less (i.e. on points 1-3) would be consistent with the Government's policy of seeking to protect the lowest paid workers across the public sector.

3.6 The Department presented three options for providing a £250 minimum payment to those Unqualified Teachers earning £21,000 or less:

- make progression payments only (worth around £1,840);
- make a non-consolidated payment⁵ of at least £250 in addition to progression payments; or
- pay a consolidated increase of at least £250 in addition to progression payments.

⁴ OME analysis of DfE and National Assembly for Wales statistics

⁵ A non-consolidated payment is not incorporated into regular salary scales

3.7 The Department also set out the following factors which it had taken into account in deciding on its preferred option:

- the Government's commitment to deliver a pay uplift of at least £250 to those who earn £21,000 or less;
- the progression uplift of around £1,840 available to Unqualified Teachers;
- the discretion to award an Unqualified Teachers' allowance (e.g. for extra responsibilities) or payments to overcome localised recruitment and retention difficulties; and
- the absence of national recruitment and retention difficulties for this group of teachers.

3.8 The Department provided estimates of the costs of making a non-consolidated payment of £250 to those eligible; these were just over £2 million including on-costs in each of 2011-12 and 2012-13, £4.1 million in total. The corresponding cost for consolidated payments over the two academic years was estimated to be £6.1 million. Taking into account these costs and the factors set out above, the Department proposed that STRB recommend a non-consolidated payment of £250 in both 2011 and 2012. It noted that this was the recommended minimum which the Government had proposed.

3.9 NEOST proposed making no additional payment to Unqualified Teachers earning below the threshold, beyond the normal progression increase. It said that the tight Spending Review settlement would have a significant impact on school funding over this period. In this context, NEOST was not convinced that singling out a small number of Unqualified Teachers for a salary increase in September 2011 and September 2012 was defensible. It argued that there was no evidence that the payment would be justified in terms of recruitment or retention. NEOST also said it was likely that the great majority of Unqualified Teachers earning less than £21,000 were on employment-based training routes and would therefore quickly move on to the qualified scale. NEOST said that the remaining teachers on this part of the structure would receive an annual increment of around £1,800 in each of the two years. It also noted that the awards made to teachers over the 3-year period from September 2008 to September 2010 were significantly above the increases awarded to other local government staff over the same period.

3.10 In its evidence, NASUWT emphasised its view that any payment should be regarded as a "cushion" within the context of the wider public sector pay freeze. It said that this would provide protection for those who would otherwise be disproportionately affected by the Government's public sector pay policy. NASUWT proposed that these teachers receive an award *higher than* £250 to protect adequately the value of their salaries against inflation and wider economic challenges.

3.11 The Six Unions⁶ said that Unqualified Teachers below the threshold should receive a minimum uplift of £250 as the least that could be done in the challenging economic circumstances. The NGA and Governors Wales proposed an increase in line with inflation.

6 ASCL, ATL, NAHT, NUT, UCAC and Voice.

3.12 The Department sought recommendations now for both 2011 and 2012. In oral evidence, it said that this approach would provide certainty during the period of the pay freeze. NEOST, ASCL, NAHT and Voice agreed this would be beneficial. ATL, NUT, UCAC and NASUWT supported such an approach subject to there being an opportunity to review the second year's payment in light of prevailing economic circumstances.

Consolidation or non-consolidation

3.13 On the question of whether payments should be consolidated, the Department said that a non-consolidated payment could be justified given the sizeable incremental progression and the fact that most Unqualified Teachers move off the pay scale quickly. In oral evidence, it argued that these factors pointed to a recommendation which took account of the particular nature of this specific workforce and that this meant a non-consolidated award was appropriate. NEOST, in oral evidence, said that if an award were to be made, it would prefer it to be non-consolidated in order to preserve pay scale differentials. NASUWT, in oral evidence, also said that the payment should be non-consolidated given that it was a protective measure for teachers on low salaries rather than a pay award. It also considered that non-consolidated payments would avoid distorting the pay scales and help to distinguish the payment from a *normal* pay award.

3.14 The Six Unions jointly sought a consolidated payment. They interpreted the guidance from the Chief Secretary to the Treasury as implying that any payment would be consolidated and did not see the possible distortion of the pay scales as a problem as this could be corrected at a later date. Some also considered that consolidation would reinforce the protection that the payment was intended to offer to the lowest paid workers.

Treatment of teachers in London and the Fringe, holders of allowances and part-time teachers

3.15 The Department referred to the Treasury guidance which indicated that the £21,000 threshold should exclude London weighting. It confirmed in oral evidence that even though teachers do not receive London weighting or allowances as such⁷, the intention of the guidance was that the differential level of pay to teachers in London and the Fringe should be taken into account. This meant that *all* Unqualified Teachers on scale points 1-3 should be within the scope of the STRB's considerations. This view was shared by NEOST and NASUWT. Other consultees emphasised that London weighting for teachers had been absorbed into the normal pay scales for teachers. Their view was that the pay bands should not be interpreted as weighting or allowances, and accordingly no Unqualified Teacher earning over £21,000 should receive a payment.

3.16 The Department noted that Unqualified Teachers may be in receipt of an Unqualified Teachers allowance in recognition of their responsibilities, qualifications and experience. In this context, it said that the Government's guidance was clear in stating that the £21,000 threshold did not include such

⁷ A pay spine for Inner London was introduced in 2003. Additional pay spines for Outer London and the Fringe were introduced from 2005. Prior to these dates, teachers in these areas received separate London area allowances.

payments. This view was shared by all other consultees except the NGA, who felt that those teachers with total earnings exceeding £21,000 should not be eligible for a further payment.

3.17 The Department said that part-time Unqualified Teachers with a full-time equivalent salary of £21,000 or less should receive a pro-rated award, based on the number of hours worked. This was in line with the guidance from the Chief Secretary to the Treasury. The Six Unions drew attention to the fact that many *qualified* teachers also worked part-time, often not through choice. They expressed concern that many such teachers earned £21,000 or less and were excluded from the terms of this remit, but made no specific proposal. NASUWT said such teachers should receive a protective payment; its view was that eligibility should be determined by the absolute level of a teacher's earnings. It considered that the exclusion of such teachers risked being discriminatory. UCAC, in oral evidence, supported the view that all part-time teachers earning £21,000 or less should be eligible for a payment.

Our analysis and recommendations

3.18 We have been asked to make recommendations on the level of payment that should be made to those Unqualified Teachers earning a full-time equivalent basic salary of £21,000 or less. We set out below our analysis and conclusions having considered carefully the evidence put to us in writing and in oral representations.

3.19 In considering the **level and nature of a payment** for teachers earning £21,000 or less, we have been guided in particular by the purpose of any such payment. We note the Government's view, shared by many consultees, that this is to provide some protection to the lowest paid in the context of the two-year public sector-wide pay freeze. This specific purpose distinguishes the current remit from a normal pay round and the associated consideration of recruitment, retention and other relevant issues. In reaching detailed decisions on this matter, we have taken account of both the relevant Treasury guidance and the particular features of the Unqualified Teacher workforce which falls within the scope of this remit. Although the remit letter and guidance use the terms 'uplift' and 'award' we recognise that the Government's rationale of protecting the lowest paid makes it appropriate to treat any payment under this remit differently from a normal pay award.

3.20 Unqualified Teachers are employed in a range of roles. Some are on employment-based Initial Teacher Training schemes and remain in this grade for a relatively short period. Others are overseas trained teachers who have not yet gained Qualified Teacher Status in this country. A third category is Instructors with specialist knowledge of a particular subject or skill. Unqualified Teachers are currently paid on a six point incremental scale based on length of service. There is provision for movement of one point up the pay scale after each year of service and increments in all pay bands are approximately £1,840. Schools have scope to award an additional allowance where they consider an Unqualified Teachers' salary is not adequate given their responsibilities or relevant qualifications and experience. There are no limits to the size of the allowance.

3.21 We considered whether any payment should be made in addition to the normal progression increments; NEOST proposed that progression payment alone would suffice. However, this approach would not provide extra protection to those teachers earning £21,000 or less as compared to those earning more. Our view is that any payment should be made in addition to any progression increments. In the light of consultees' evidence and the Government's aim to provide a degree of protection for the *lowest* paid staff, **we recommend that a payment should be made to all Unqualified Teachers whose full-time equivalent basic salary (as indicated by the Unqualified Teachers' pay scale) is £21,000 or less⁸**. The payment should be made to all Unqualified Teachers on points 1-3 of the pay scale.

3.22 In deciding on the level of the payment, we considered the views of some consultees that the payment should be higher than the recommended minimum set out in Treasury guidance. Several consultees emphasised that the purpose of this payment was to provide some protection during the wider pay freeze and cited recent and forecast price inflation. However, we heard no evidence to support a specific alternative figure.

3.23 We have taken account of the particular nature of the Unqualified Teacher grade; the fact that Unqualified Teachers receive incremental payments of £1,840, which continue during the pay freeze; and that in many cases, teachers remain on the scale for only a relatively short period of time. We have also been mindful that consolidated payments would cost some £6 million over two years, compared to some £4 million for non-consolidated payments⁹. We also considered it desirable to avoid distorting pay scale differentials. Although this could be corrected at a later stage, it would not necessarily be a straightforward matter as it implies awarding a lower increase in a future round to those on the lower points of the scale. Taking all these factors into account, **we believe on balance that a non-consolidated payment of £250 is appropriate**. We consider some practical issues about the implementation of this payment in paragraphs 3.29 – 3.31 below.

3.24 Treasury guidance set the threshold for eligibility at £21,000 excluding London allowances. Although teachers in London and the Fringe do not receive separately identified London weighting, they do receive differential levels of pay. We consider it important on recruitment and retention grounds to maintain those differentials and also wish to ensure that protection is provided to the lowest paid in all geographical areas. Whilst we recognise the view of some of the unions that teachers do not receive London allowances as such, we consider it better on balance, simpler and consistent with the intent of the Treasury guidance, to include all teachers on points 1-3 of the Unqualified Teachers' pay scale within the scope of our recommendations, irrespective of their location.

3.25 We are aware that a significant minority of Unqualified Teachers receive allowances in addition to their basic pay. These allowances can be substantial and permanent, and in some cases bring an Unqualified Teacher's total annual earnings to more than £21,000. We considered the appropriateness of such

⁸ At 1 September 2011 (2011 payment) and 1 September 2012 (2012 payment).

⁹ DfE evidence to STRB, December 2010

teachers receiving any recommended payment if the total of their basic pay and allowances exceeded the £21,000 threshold. However, we concluded that the Treasury guidance on this matter was clear that any allowances should be excluded from the calculation of basic full-time equivalent salary. We were also conscious that there may be practical problems in implementing a recommendation that differentiated between teachers on the basis of additional allowances of differing values. On this basis, we are content to exclude the value of any allowances in the determination of eligibility for a payment, as the Department proposed.

3.26 The Treasury guidance was also clear about the position of part-time employees. It said that any payment should be made on a pro-rated basis to those whose full-time equivalent salary is £21,000 or less. In the context of protecting the lowest paid, NASUWT put the case to us that part-time Unqualified Teachers below the threshold should receive the full payment rather than it being pro-rated. However, we consider that **any recommended payment to eligible part-time Unqualified Teachers should be pro-rated according to their hours worked**, as is consistent with the Treasury guidance.

3.27 NASUWT and some other consultees also raised concerns about the position of part-time *qualified* teachers whose full-time equivalent salary exceeds £21,000, but whose hours worked leave them below the threshold. The principle of pro-rata payments to part-time staff is an important one and generally perceived to be fair. We believe that making a payment which was not pro-rated could itself raise questions of fairness given that it would result in a slightly higher hourly rate for part-time teachers compared to their full-time colleagues. Accordingly we conclude **there is no case for making an additional payment to this group of teachers**.

3.28 Several consultees have proposed that we make a recommendation now for both 2011 and 2012. They have argued that this would permit employers to plan their budgets and Unqualified Teachers to have certainty over their pay for the period of the pay freeze. Given the particular nature of this payment and its special considerations which distinguish it from a normal pay award, we consider it sensible to adopt this approach, and so make our recommendation now for both years.

Implementation issues

3.29 In oral evidence sessions we asked consultees about the form that a non-consolidated payment should take if we were minded to recommend one. We received differing views on whether it should be made monthly or as a single payment. On balance our preference is for the simplicity of a one-off, lump sum payment to those eligible, and teaching, in September 2011 and similarly in September 2012. This payment affects a relatively small proportion of the teacher workforce and will not have a long-term impact on individuals' pay (because it is non-consolidated). We do not therefore want it to be costly to implement and hope it can be paid in a simple and cost-effective way.

3.30 We are aware that if a single payment is made, some teachers may not be in post on the date in question; others may be and receive the payment

but leave teaching soon after. We do not consider this necessarily precludes a single payment if it is in other respects the simpler implementation option.

3.31 We recognise that there may be other practical issues which arise on implementation. We recommend therefore that the Department, as part of its consultation process, seek views on a simple and cost-effective method of payment and issue guidance as appropriate.

3.32 **We recommend that:**

- **A non-consolidated payment of £250 be made in both years to all full-time teachers on points 1-3 of the Unqualified Teachers' scale.**
- **The £250 payment be pro-rated according to their working hours for part-time teachers on points 1-3 of the Unqualified Teachers' scale.**
- **The Department, as part of its consultation process, seek views on a simple and cost-effective method of payment, and issue guidance as appropriate.**

CHAPTER 4

Limiting the value of discretions that can be applied to head teacher pay

Part One: Background to the remit

4.1 In recent reports we have considered the role of school leaders and their pay, against the backdrop of evolving models of school leadership and a move towards system leadership, whereby outstanding and experienced head teachers provide support to other schools. In our Eighteenth Report Part One we made recommendations on specific aspects of leadership group pay, including that for head teachers taking responsibility for a second school. These were made on an interim basis, pending a fundamental review of the system of reward for the leadership group¹. Our current remit focuses specifically on limiting the discretions that can be applied to head teacher pay. This is an important matter: it raises substantial issues about the governance and overall control of remuneration.

4.2 The Secretary of State asked us to consider for recommendation:

In the context of longer term arrangements for rewarding emerging models of leadership, whether there should be a limit on the value of discretions that can be applied to head teachers' pay; and if so what it should be and how it can be applied.

4.3 In the remit letter (at Appendix A), the Secretary of State made clear that he would like specific recommendations on limits on head teacher pay, *“in particular setting limits in line with the Prime Minister's salary, with a view to implementing any new arrangements from September 2011.”* He also noted the *“need to recognise different challenges associated with different posts, and the need to incentivise the best heads to take on the most challenging jobs.”*

Context

4.4 As we noted in Chapter 1, this remit is set against a wider background of public sector pay restraint and a two-year pay freeze for public sector employees earning over £21,000, including teachers. We were asked to have particular regard when making our recommendations to a number of issues, including *“the need to make all recommendations affordable within the context of the Government's plans for deficit reduction”*.

4.5 Prior to the election in May 2010, concerns had been raised in Government and the media and elsewhere about levels of senior pay in both the private and public sectors. The Senior Salaries Review Body's (SSRB) *Initial Report on Public Sector Senior Remuneration*², published in March 2010,

¹ STRB (2009) *Eighteenth Report Part One*, TSO (Cm 7546) page 6

² SSRB (2010) *Initial Report on Public Sector Senior Remuneration*, TSO (Cm 7848)

proposed a Code of Practice on top-level reward in the public sector, which was accepted by the previous administration. The Code emphasised the importance of governance, appropriate remuneration and disclosure; issues we have kept in mind as we considered our current remit.

4.6 The incoming Government renewed the focus on senior public sector pay restraint in the context of its deficit reduction plan. The Chief Secretary to the Treasury announced that any central government pay package above the level of the Prime Minister's (£142,500) would in future require his personal authorisation. The Government also commissioned Will Hutton to report on fair pay in the public sector. His final report was published on 15 March so we were not able to take account of it as we developed our recommendations³. However, we comment briefly in paragraph 4.74 below on how our proposals fit alongside his broad approach.

Existing provisions on head teacher pay

4.7 Head teacher pay is set according to statutory provisions in the STPCD⁴. It is based on a leadership group pay spine comprising 43 spine points for each of four area pay bands. A school governing body has responsibility for allocating a head teacher to a particular point on that pay spine. A governing body must first assign its school to one of eight head teacher groups, based on a weighted pupil number formula. It then has discretion to determine an individual school range (ISR) of seven consecutive spine points in the relevant head teacher group.

4.8 Further discretions enable the governing body to set an ISR in a higher head teacher group and to make additional payments and benefits in certain specified circumstances e.g. where a head teacher takes on responsibility for an additional school, where there are substantial recruitment or retention difficulties, where a school is causing concern, or where a head teacher takes on system improvement work. In some circumstances a governing body may have used this flexibility to set pay points that exceed the highest point on the leadership group pay spine. The governing body must review head teacher pay annually and is responsible for determining whether or not there should be any progression up the ISR, based on performance. The current head teacher groups and related pay ranges are set out below, reproduced from the STPCD 2010.

³ Hutton (2011) *Hutton Review of Fair Pay in the public sector: Final report*

⁴ DfE (2010) *School Teachers' Pay and Conditions Document*

Head Teacher Groups and Pay Ranges 2010

<i>Group</i>	<i>Range of spine points</i>	<i>Annual Salary Range England and Wales (excluding the London Area)</i>	<i>Annual Salary Range Inner London Area</i>	<i>Annual Salary Range Outer London Area</i>	<i>Annual Salary Range Fringe Area</i>
		£	£	£	£
1	L6 – L18	42,379 – 56,950	49,466 – 64,036	45,351 – 59,925	43,416 – 57,985
2	L8 – L21	44,525 – 61,288	51,611 – 68,375	47,499 – 64,264	45,557 – 62,331
3	L11 – L24	48,024 – 65,963	55,104 – 73,049	50,993 – 68,934	49,056 – 67,002
4	L14 – L27	51,614 – 70,991	58,700 – 78,072	54,583 – 73,962	52,650 – 72,025
5	L18 – L31	56,950 – 78,298	64,046 – 85,384	59,925 – 81,274	57,985 – 79,336
6	L21 – L35	61,288 – 86,365	68,375 – 93,451	64,264 – 89,337	62,331 – 87,404
7	L24 – L39	65,963 – 95,213	73,049 – 102,296	68,934 – 98,185	67,002 – 96,246
8	L28 – L43	72,752 – 105,097	79,835 – 112,181	75,725 – 108,070	73,785 – 106,137

Background data and research evidence

4.9 There is no single source of information on the earnings of head teachers in the maintained sector. We have drawn on a number of sources for evidence of the extent to which current discretions to pay above the scales set out in the STPCD are used: data from the Department; information gained from our visits; and independent research commissioned on our behalf. While the information available to us does not provide a fully comprehensive picture, it does indicate that the earnings of small but not insignificant numbers of head teachers are higher than would be expected given the rates set out in the STPCD.

4.10 The Department provided evidence from the Database of Teachers' Records (DTR)⁵. The DTR covers England and Wales and is maintained primarily for the administration of the Teachers' Pension Scheme. Data relate to the leadership group as a whole and therefore head teachers cannot be separately identified. Data for March 2009 showed that there were around

⁵ DfE evidence to STRB, December 2010.

100 leadership group teachers in maintained schools earning above the maximum of the pay spine for Inner London in 2009 (£109,658). Of these, 14 were recorded as earning more than £140,000 per year, with two paid over £180,000.

4.11 Further evidence, relating specifically to payments made in addition to basic salary, was provided from the School Workforce Census (SWF)⁶. The analysis was drawn from the January 2010 pilot Census which covered around 50% of local authorities in England. This showed that where head teachers were in receipt of additional payments or allowances, these tended to be greatest for those on the highest basic salaries. In a very small number of cases, the additional payments exceeded £30,000.

4.12 In autumn 2010 we commissioned research seeking the views and experiences of head teachers and chairs of school governing bodies on various aspects of the pay system⁷. Respondents were asked whether, on appointment, head teacher pay was set above the rates set out in the STPCD. Twelve per cent of head teachers reported that their pay was set at a level above the relevant rates set out in the document; nineteen per cent of chairs of governors from a separate sample of schools reported that the head teacher's pay was above these rates. In a small number of cases this related to heads leading more than one school.

4.13 Respondents were also asked whether they received any reward or incentive in addition to their basic salary. Nine per cent of head teachers reported receiving reward or incentive in addition to their basic salary. These additions included one-off sums, additional spine points, residential allowances and relocation payments. The most commonly reported reasons for additional reward were the nature or challenge of the post, the head's performance and the need for a retention incentive. While the proportion of head teachers reporting being in receipt of additional reward or incentives varied across regions, such payments occurred in all areas.

4.14 The patterns seen in the data sources above are supported by the anecdotal evidence we heard on our visits to schools and local authorities. Some commented that the characteristics of the London labour market for head teachers led to widespread comparisons of head teacher pay, with attendant risks of upward pressure. On a related question, we also heard on our visits that governing bodies have particular difficulty in setting pay for *executive*⁸ head teachers on a consistent, structured basis as the STPCD does not expressly cover these roles. This suggests the need for greater clarity in that document.

4.15 The research we commissioned also asked respondents for their views on whether or not there should be any constraints on governors' freedom to pay above the maximum of the relevant pay scales. There was widespread support from head teachers for a number of possible measures:

6 DfE evidence to STRB, December 2010. The SWF is now the statutory return for school workforce data in England.

7 Infogroup/ORC International (2011) *Teachers' Pay Issues: research findings 2010* at http://www.ome.uk.com/STRB_Research_Documents.aspx

8 There is no legal definition of *executive* head teachers. The term is used to cover a number of different types of roles, including some where the executive head is not the accountable head for any school.

- 51% said there should be a requirement to produce a business case agreed by the entire governing body;
- 50% said there should be an additional monetary ceiling or cap;
- 27% said there should be a requirement to produce a business case agreed by the local authority; and
- 21% said there should be a requirement to make the salary public.

4.16 The proportion of head teachers indicating support for a ceiling or cap was similar across all school phases. Responses from chairs of governors were similar, with only 10% saying there should be no additional constraints.

Part Two: Evidence from the Department and other consultees

4.17 In paragraphs 4.18 to 4.27 below we set out the positions expressed by the Department and by consultees on the overall question of whether there should be limits on the discretions available on head teachers' pay. We then cover their respective evidence on the detailed aspects we considered such as the scope (paragraphs 4.28 to 4.30) and level of any limits (paragraphs 4.31 to 4.35).

The Department's views on limiting the discretions on head teachers' pay

4.18 The Department said its proposal for a limit was closely linked to wider Government policy for deficit reduction: there was a need to obtain better value for money from the public sector paybill and for leaders in the public sector to show pay restraint. The Department said it was important for schools to have flexibility to recruit and retain the best leaders and that relevant bodies should have the discretion to pay above the maximum of the leadership pay range, so as to provide sufficient incentive to lead the most challenging schools. However, that flexibility needed to be balanced with appropriateness, fairness and transparency.

4.19 The Department cited evidence from the 2009 Database of Teacher Records and the School Workforce Census (see paragraphs 4.10 and 4.11 above) about the number of leadership group teachers in maintained schools recorded as earning more than the maximum of the existing pay scales.

4.20 The Department described the changing models of leadership, including *executive* heads and the trend towards heads assisting other schools with school improvement, including as National Leaders of Education. It noted that although money paid for school improvement work was generally expected to fund any cover arrangements, there was scope within STPCD for additional payments to be made to head teachers. The STPCD also provided discretion for relevant bodies to pay above the maximum of the salary scale in certain circumstances, and there was no overall limit to a head teacher's pay.

Other consultees' views on limiting the discretions on head teachers' pay

4.21 All consultees supported remuneration within a national pay framework that was fair, transparent and capable of being applied consistently. When pressed during oral evidence sessions, most consultees expressed the view that the *principle* of a limit was reasonable. With the exception of NEOST,

consultees were firm in their belief that it would be inappropriate to introduce a limit in advance of a wider review of leadership group pay arrangements. NASUWT also registered concerns that STRB had been given this remit before other reviews of senior public sector pay commissioned by Government had reported.

4.22 The Six Unions⁹ considered there was no justification for amending the basis of an entire pay structure to address the small number of cases that would be covered by a limit and expressed concern about the unintended consequences of upward pay drift if a limit were applied.

4.23 NEOST made its own proposal for a limit that might operate ahead of a wider review. It took the view that there could be a national overall limit on a head teacher's salary, with no further discretion to award additional recruitment and retention payments, but qualified this by restricting it to circumstances where the head teacher was responsible for a single school and carrying out a "core role". It acknowledged difficulties in defining a "core role", proposing an illustrative list of roles that should be *excluded* from such a definition, including where a head was responsible for more than one school, providing extended services or consultancy or advisory services to other schools. NEOST said these expanded roles went beyond what could be reasonably considered to be the "core role" of a head teacher and believed it would be impossible to establish a reasonable limit on the discretion that governing bodies should be given in determining appropriate salary levels. NGA made a similar point.

4.24 The Six Unions supported an approach that would curtail the discretions open to governing bodies in certain circumstances and which would ensure greater support for all governing bodies in exercising their discretions. They believed that any provisions to limit discretions should apply to all schools in the maintained sector, including academies¹⁰, a point also made by BATOD, NEOST and NGA.

4.25 The Six Unions noted that the existing structure already placed upper limits on head teachers' pay with regard to responsibility for one or more schools, but that there were greater flexibilities where a school was causing concern and on recruitment and retention grounds. These allowed head teachers to be paid up to two head teacher groups higher than the appropriate group for head teacher groups 1-6, although there was no limit if the school was group 7 or 8. They suggested it would be reasonable for a limit to be set for groups 7 and 8 consistent with that for groups 1-6, for the head teacher's core responsibilities for a single school. They also commented on the need to define a head teacher's key role and responsibilities before decisions on limiting discretions could be made. NASUWT made a similar point, saying there was a need for a clear structure and robust criteria for placing a post on the leadership spine.

4.26 During oral evidence, ASCL and NAHT said constraints on pay should be effected through the pay mechanism rather than an overall cap and noted that a limit would not apply to heads already earning in excess of the limit, so

⁹ ASCL, ATL, NAHT, NUT, UCAC and Voice

¹⁰ Academies established under either the Education Act 2002 or the Academies Act 2010.

there would be no cost saving. They considered that there should be incentives in the pay system for head teachers to undertake wider system work. Voice acknowledged the case for a limit in principle but emphasised that the detail needed careful thought and that it should not prevent a future review of leadership pay. UCAC proposed that if a cap was to be implemented it should take account of the need to limit the amount of wider work a head teacher could carry out without detriment to their main duties.

4.27 NASUWT argued that a pay cap was a fundamentally flawed premise on which to determine pay levels of the most senior staff in either the public or the private sector. It believed that any pay system should have a limit but this was different from the notion of a cap, which would not address the current lack of accountability and clarity in pay decisions and would be inconsistent with the principles of openness, transparency, and fairness. It made some wider proposals, including on criteria for leadership and disclosure of salaries which, it believed, would remove the need for a cap on head teachers' salaries.

Comments on the scope of a limit on discretions

4.28 The Department said that a head teacher's entire role and responsibilities, including whether they ran more than one school, should be taken into account. Officials confirmed in oral evidence that the monetary value of any benefits awarded should be considered when applying a cap. They said the Department's view was that any payment made to head teachers for any responsibilities undertaken in their capacity as a head teacher must be made within the terms of STPCD. The Department did not want to encourage head teachers to spend significant time managing wider site facilities; other arrangements should be made to ensure the proper management of those facilities.

4.29 The Six Unions and NEOST took the view that limits could be set for head teachers' "core" roles to make payment for head teachers in groups 7 and 8 consistent with those in groups 1 to 6. The Six Unions, NGA and BATOD all said that a fuller review was required for consideration of any limits that would apply to head teachers' additional roles. NASUWT said a fundamental review of the head teacher role was required and the matter of appropriate reward would flow from that. NGA was concerned that heads should not be paid twice for the same time, e.g. if carrying out work as a school improvement partner (SIP) in another school. Some consultees also remarked on the need to consider whether any other members of staff should benefit from additional pay e.g. if members of the leadership team took on extra responsibilities in the absence of the head.

4.30 NASUWT suggested that the leadership criteria recommended by STRB in its Nineteenth Report¹¹, but not implemented, would have been of assistance in determining appropriate reward for head teachers. It said head teachers should be rewarded for being lead practitioners of teaching and learning. NASUWT indicated that some executive head teachers were not actually accountable for any of the schools for which they were nominally the executive head, as there were individual head teachers in the overall structure accountable for those schools. Those executive heads were therefore rewarded

¹¹ STRB (2010) *Nineteenth Report*, TSO (Cm 7836) page 3

for largely administrative roles. NASUWT took the view that such roles should be paid on separate contracts and should not be covered by the STPCD.

Comments on the level of a limit on discretions

4.31 The Department proposed that 25% above the maximum of their current pay range should be sufficient to incentivise head teachers to take on highly demanding roles (e.g. under-performing schools or executive heads leading more than one school). It stated that a limit on discretions of 25% of basic salary for inner London head teachers on the maximum of their pay scale would result in a salary limit of £140,226.

4.32 The Department noted that although the level of the Prime Minister's salary provides a readily understood reference point, the Hutton Review of Fair Pay Interim Report recognised that there could be some difficulty with applicability. Most consultees regarded as arbitrary the proposal to use the Prime Minister's salary as a benchmark for a limit on head teachers' pay. ASCL and NAHT commented that Will Hutton's interim report had "demolished" the argument for a cap linked to the Prime Minister's pay.

4.33 NEOST said the Department's proposal for a cap of £125k for posts outside London was reasonable, based on the current pay structure.

4.34 The Six Unions noted that there was currently no limit on the pay range for head teachers of group 7 and group 8 schools where a school was causing concern and on recruitment and retention grounds. They suggested the capacity for head teacher pay to go beyond the normal parameters in school groups 7 and 8 should be consistent with the capacity to do so in groups 1-6. During oral evidence, they acknowledged that there would be potential in either creating "groups 9 and 10", extending the existing pay spines or setting a limit of 20% of the ISR for such head teachers. NUT noted that extension of the existing pay spines would provide a scale for progression purposes, which would not be the case with a spot rate. UCAC said the question of whether "notional groups 9 and 10" should provide an absolute maximum required further consideration.

4.35 Several consultees highlighted the current open-ended discretion to award recruitment and retention payments and benefits in paragraph 50 of the STPCD, proposing these should be limited. They also acknowledged that there should not be scope to reward simultaneously through both paragraph 12.2.5 and paragraph 50 (relating to recruitment and retention). NASUWT believed paragraph 50 was often inappropriately used by schools and was concerned that the lack of guidance and absence of a limit on what could be offered meant the paragraph was open to abuse and could be used to circumvent the effect of a pay cap.

Comments on exceptions to a limit

4.36 The Department said that there could be circumstances where it might be necessary to pay above any such limit in order to ensure that innovative practices and new models of leadership continued to develop. Where this was the case a fair, robust and appropriate approval mechanism was needed to

ensure that breaching a limit was not only justifiable but could also be seen to be so. It suggested exceptions to a cap might be necessary when head teachers were already on the cusp of the limit and took on additional work, possibly in very challenging circumstances, but would not typically include a head simply taking responsibility for a second local school. The ability to demonstrate improvements to children's outcomes would be a key factor.

4.37 Other consultees expressed differing views on this issue. NEOST described the concept of a cap with an exceptions mechanism as “fuzzy”; it did not want an exhaustive list of exceptions to a cap. During oral representations some of the Six Unions suggested an exemptions mechanism would make a cap porous. Whilst acknowledging that a case could be made for head teachers operating in very challenging circumstances to be paid above a cap, Voice noted that if the pay framework was right in the first place, a cap would not be necessary. NGA did not support the proposal for an exceptions mechanism, believing that governing bodies were often placed under pressure to acknowledge cases as exceptions when they were not.

Comments on governance

4.38 The Department said it was essential that relevant bodies were clear about the Government's expectations when making decisions on pay, to ensure appropriate use of public funds. It believed clearly defined boundaries and appropriate limits were needed. It said that as the employer, a governing body should take a view on any elements of a head teacher's pay which related to activity using his/her skills and experience as a head teacher. This included ensuring oversight of any separate contracts. It said more training was planned, as indicated in the White Paper¹², to ensure chairs of governors were equipped for the challenges of the role.

4.39 Almost all consultees commented on governing bodies' capacity to take decisions on head teacher pay. Whilst noting there were deficiencies in the governance system, they recognised that governors were volunteers who sometimes worked in difficult circumstances. They noted that in order for a limit to be effective, governing bodies would have to take into account earnings from all income streams. NEOST said that although local authorities were well placed to offer oversight and advice, they were sometimes unaware of pay decisions taken by governing bodies, which could cause difficulties.

4.40 Several consultees remarked that there was a case for more support for governors, noting that the demise of support from SIPs would affect governors' ability to deal effectively with the performance management – and consequential pay decisions – of head teachers. They also said governing bodies needed access to benchmarking data on head teacher pay. NEOST said local authorities and other HR providers would continue to advise governing bodies on appropriate strategies for determining the deployment of the workforce in schools, including how to apply national frameworks relating to pay and conditions of employment.

4.41 The Six Unions wanted governing bodies to be supported in exercising their discretions either through a clear code of practice modelled on the

¹² Op. Cit. DfE *The Importance of Teaching* paragraph 6.29

SSRB proposal or more effective statutory guidance, and through information and advice made available at a local or regional level. They considered that such measures would also be necessary to secure proper implementation of the principles of the SSRB's proposed Code of Practice. UCAC expressed disappointment that STRB's previous recommendations on access to specialist remuneration panels had not been implemented.

4.42 Most consultees supported training for those making decisions on head teacher remuneration, with some suggesting this should be mandatory, whilst accepting that a compulsory approach might be difficult to implement for volunteers. NASUWT and ATL both noted that mandatory training had been proposed for governing bodies in Wales.

4.43 NASUWT highlighted the need for governing bodies to ensure the proper use of public funds when making decisions on head teacher pay. It proposed that the Government should look at "clustering" governing bodies to enable greater professionalism and suggested that a long-term review of governance was required, include examining whether governing bodies should be paid. NEOST pointed out that the forthcoming Education Bill¹³ would allow for the establishment of smaller governing bodies with appointments primarily focused on skills.

Comments on transparency and disclosure

4.44 During oral evidence the Secretary of State said he favoured greater transparency on school budgets, including publication of aggregate salaries to ensure parents could see how money was spent. He also said decisions on head teacher earnings should be properly recorded to enable the governing body to be satisfied that decisions were appropriate and suitable for audit. However, he was keen to avoid possible invidious situations resulting from the disclosure of individuals' earnings, believing it was not necessary to publish details of individual head teachers' earnings.

4.45 Consultees expressed general support, in principle, for disclosure of head teachers' earnings although some felt further debate was needed. The Six Unions argued that public disclosure of all aspects of head teachers' reward package, not just their headline salary, would act as a brake on the application of governing bodies' discretions, especially if any departures from the 'norm' had to be clearly minuted and justified. NASUWT, too, proposed that publication of head teachers' salaries would impose a discipline on the setting of salary levels.

4.46 Consultees acknowledged that publication of a head teacher's salary would be consistent with accepted practice for other areas of public life, but were concerned that publication might damage relationships with parents and the local community. They felt that there was a need to afford some protection to head teachers in this respect. Some consultees suggested that a head teacher's ISR and any additional benefits should be published as part of a school's pay policy; NUT supported the publication of all elements of a head teacher's pay except performance-based progression. NEOST proposed that head teachers' expenses should also be published. Consultees also suggested

¹³ Education Bill 2010 – 2011 at <http://services.parliament.uk/bills/2010-11/education.html>

that DfE should publish analyses of leadership pay, including equality monitoring data.

Part Three: Our analysis and recommendations

Context

4.47 As we outlined at the beginning of this Chapter, we have been asked to consider a limit on discretions for head teacher pay in the context of the Government's wider policy framework on senior pay in the public sector. Ministers have emphasised the importance of showing restraint at a time of constrained public finances and have said that leaders in the public sector should set an example.

4.48 We believe this is a significant remit that highlights two crucial issues on which we have previously commented: remuneration for head teachers and the governance arrangements for setting and reviewing such remuneration. In our Eighteenth Report Part One we endorsed the idea of a limit on head teacher remuneration in certain circumstances. We recommended a limit on the size of an uplift payable for head teachers taking on responsibility for a second school¹⁴. We also set out in our *Operating Principles* a requirement for a transparent and auditable process for determining head teacher pay. In our Seventeenth Report Part Two we remarked that the existing pay system was dependent upon local governance. We said that reform was needed and recommended that governing bodies should have access to expert remuneration advice¹⁵.

4.49 We have also made clear our view that whilst there is merit in providing incentives for the very best head teachers to become system leaders and to spread their expertise more widely across the education system, there should not be an expectation that there would always be additional reward for such work¹⁶. We note that our recommendations would not apply to academies and free schools.

Our conclusions on the principle of a limit

4.50 In considering the principle of a limit we took account of views and evidence from the Department, other consultees and wider sources. We noted in particular that evidence shows increasing numbers of head teachers are being paid above the maximum of the pay spines in the STPCD; that there are currently multiple unconstrained discretions in the STPCD; and that the prevailing economic climate and wider government policy on pay restraint point to the need for careful justification of use of public funds. Taking account of all these factors **we consider that the case has been made for setting a limit on discretions** for head teacher pay.

4.51 We have previously called for a fuller review of leadership pay arrangements and remain of the view that such a review is desirable. We have also heard evidence of the difficulties some governing bodies encounter in setting head teacher pay in a consistent and structured way. We do not however

14 Op. Cit. STRB *Eighteenth Report Part One* paragraph 4.46

15 STRB (2008) *Seventeenth Report Part Two*, TSO (Cm 7352) paragraphs 3.97 and 3.101

16 Op. Cit. STRB *Eighteenth Report Part One* paragraph 4.40

accept the arguments made by some consultees that we should refrain from setting a limit until a wider review of leadership has been conducted. **We believe it is both possible and desirable to proceed now with the current remit.**

Our conclusions on the scope of a limit

4.52 We have given careful thought to the question of how a limit might operate in practical terms, given the complex nature of the existing provisions in the STPCD relating to head teachers' pay in particular. Our starting point is that the existing head teacher group ranges provide appropriate remuneration and reward for recruiting and retaining a head teacher in the great majority of cases. **We believe it should be the normal expectation that this remuneration covers the full head teacher role**, including the need to address improvement challenges in the "home"¹⁷ school and a wider contribution across the education system such as the sharing of good practice and liaison with other service providers. We believe it is the responsibility of governing bodies to apply this approach rigorously.

4.53 There may be particular circumstances where a governing body¹⁸ sees a compelling justification to use the existing discretions to provide an additional incentive or reward, e.g. where a head teacher takes on responsibility for an additional school, where there are substantial recruitment or retention difficulties, where a school is causing concern, where a head teacher takes on significant system improvement work or where a head is providing extended services. We conclude that in such cases the governing body must consider the entirety of the head teacher's role, including the size of the school(s), the degree of challenge, the extra work incurred by the provision of additional services and the extra demands placed upon the head when providing advice or support to another school. We believe their decisions on the remuneration of the head teacher must take account of both the potential benefits of such work and the limits it will place on the head's ability to attend to the demands of the "home" school, with consequential implications for other members of the leadership team. We return to this in our recommendations on the application of a limit for head teacher pay in paragraphs 4.63 – 4.68 below.

4.54 The question of what should be 'caught' by a limit on discretions has been a central part of our consideration of this remit. The current discretions cover a range of different circumstances:

- Payment where there are substantial recruitment or retention difficulties, or for a school causing concern, which can be made by awarding a higher ISR under paragraphs 12.2.5 and 12.2.6 of the STPCD or payments and benefits under paragraph 50, with only the latter time limited.
- Payments for extra work which, depending on its type, is paid under paragraph 48 (residential duties) or paragraph 49 (additional payments e.g. for school improvement).

17 We define the "home" school as the first school where a head teacher is currently the responsible and accountable head teacher if he/she is employed as head teacher of more than one school, or providing services to another school.

18 Strictly it is the "relevant body"- where we refer to "governing body" we mean the relevant body.

- A higher salary to take account of responsibility for an extra school or for providing extended services, which can be awarded through raising the ISR/head teacher group.

4.55 Our view is that **an overall limit should apply to the use of all the current discretions** in the STPCD once the initial or “base” seven point ISR has been established, with the exception of two specific discretions, where we believe special considerations arise, namely those intended to cover:

- residential duties where they are a requirement of the post and are accordingly an integral part of the head teacher’s role; and
- relocation expenses. Any specific relocation expenses awarded under paragraph 50 which relate solely to the personal circumstances of an individual should be excluded from the limit. We understand that practice varies but relocation packages are normally offered outwith the STPCD.

4.56 We recommend that the Department should amend the STPCD to give effect to this by providing a **definition of “base” ISR**. Our expectation is that a definition of “base” ISR should include:

- For the head teacher of one school, the ISR calculated using the provisions (including the weighted pupil number formula) in paragraphs 6 – 12.2.4 to place the ISR in a head teacher group range.
- Where a head is the permanent head teacher of more than one school, the “base” ISR should be calculated using paragraph 12.2.7 in the STPCD so that it takes into account the pupil numbers in both schools.
- Where a head is the temporary head teacher of more than one school, the “base” ISR should be calculated on the “home” or original school.

4.57 A governing body has limited discretion to determine where in the relevant head teacher group an ISR is placed. However, we recommend that the ISR must not go higher than the maximum of the relevant head teacher group **for the purpose of determining the “base” ISR**.

4.58 We recommend that where a governing body determines there is a compelling need to use any subsequent discretion after setting the “base” ISR, the total discretionary payments (whether through raising the ISR, by making additional payments or by awarding benefits), must not exceed the limit. Where a head teacher is responsible for more than one school on a temporary basis the governing body should (as now) go on to review the “base” ISR in order to take account of the additional responsibility. This use of discretion will count towards the overall limit.

4.59 In considering this remit we recognised that there is currently the potential for a head teacher to be rewarded for recruitment and retention purposes in two places in the STPCD: under paragraph 12.2.5 and paragraph 50. However, the scope of each is slightly different, as any allowance paid under paragraph 50 is time-limited. That paragraph also permits the award of unspecified benefits. It is our view that:

- governing bodies must consider the need to use any discretion for recruitment or retention purposes as a whole, and assess carefully

whether the justification is for a permanent or time limited payment. Head teachers should not normally receive the discretions under **both** paragraphs;

- the monetary value of any benefits paid under paragraph 50 must be included in the scope of the limit (except for specific relocation expenses as we said in paragraph 4.55 above).

Our conclusions on the level of a limit

4.60 If a governing body considers there is a compelling case that justifies the use of discretions, the question arises of the total limit that should apply. In considering the appropriate level for a limit, we noted existing provisions which, in certain specified circumstances, permit the ISR to be raised by up to two groups or be uplifted by up to 20%. We wish to allow scope in principle to go higher than this if necessary, but believe such instances would be few in number. Accordingly, **we recommend that the total of all discretions should not exceed the limit of 25% above the individual's point on their "base" ISR, in any given year**, as described in paragraph 4.56 above.

4.61 The complex system for leadership pay has presented some difficulty in defining a limit that would treat head teachers in different groups equally. Overall our recommendations produce reasonably proportionate outcomes. This is an important advantage compared with the option of setting a limit on a single level of pay (e.g. 25% above the top of head teacher group 8 pay range) above which no head teacher should be remunerated. This would not have limited discretions proportionately for head teachers of smaller schools.

4.62 There is some risk that a limit, however set, might lead to an upward pressure on pay. It is the responsibility of governing bodies to ensure the integrity of a limit is maintained. Our recommendations below are intended to assist them in exercising appropriate control.

Our conclusions on how the limit should be applied

4.63 It is the role of the governing body to ensure appropriate reward for a head teacher whilst maintaining proper oversight of public funds. As set out above we believe that when determining head teacher pay, governing bodies should take an **overall view of the head teacher's post**, including the needs of the "home" school as well as any additional work undertaken.

4.64 We are aware that a head teacher may receive income from more than one source. For example, in addition to their role as head of their own school, they might also work as an advisor to another school. We recommend that **the governing body should ensure it has oversight of all the contractual arrangements and income streams applying to the head teacher**. We further recommend that the Department should consider how best to give effect to this, for example, through a single contract for a head teacher. In our view the contractual arrangements applying to head teachers should, in keeping with standard practice in other professions, include a requirement on them to seek the explicit agreement of the governing body before accepting any additional work related to their role as head teacher.

4.65 In paragraph 4.52 above we stated our view that the existing leadership pay spines should provide sufficient remuneration for the great majority of head teacher posts. **Before governing bodies make any decision to use the discretions to raise the ISR or to award additional payment or benefits, they must justify the case for so doing.** They must take account of the head teacher's role in the round, the salary already paid (in the expectation of the head undertaking the full range of professional responsibilities), the needs of the "home" school and the impact of the head's expanded role on the "home" school. If significant additional work is proposed, governing bodies must assess whether a head teacher has the capacity to carry it out without detriment to the "home" school, before agreeing the expansion of responsibilities. They should also consider specifically the allocation of any payment between the head teacher and the school e.g. to provide cover, to reward other staff "acting up" or carrying out extra work, or otherwise to benefit the "home" school.

4.66 Governing bodies must ensure that there is a **transparent process** for determining head teacher pay and that there is a **full and proper record of the justification** for any increase or payment. Where a decision has been taken by a remuneration committee, the total remuneration and component parts should be disclosed with reasoning to the full governing body.

4.67 We also recognise that there are a few head teachers who are currently paid significantly in excess of the recommended limit. Whilst we do not propose that their pay should be reduced to bring them in line with our recommendations, we believe that if in future governing bodies adopt this more structured approach to the use of discretions, such 'outliers' in head teacher pay levels should become increasingly rare. It is also important that data on remuneration of such 'outliers' is not included in any benchmarking data provided to governing bodies for the purpose of informing their own pay decisions.

4.68 We welcome the Secretary of State's intentions, as set out in the White Paper, on training for chairs of governing bodies. We believe this will help ensure an appropriate decision making process for head teacher pay. In our view this should include drawing on professional HR support and benchmarking data if governing bodies are to discharge their duties effectively regarding head teacher pay.

Our conclusions on exceptional cases

4.69 In his written evidence the Secretary of State asked us to consider what mechanism might be appropriate for considering instances where the governing body thought it was appropriate (in maintained schools) for a head teacher's total pay to exceed the limit, to ensure these decisions were fair and a justifiable use of public funds. We have set out above our clear expectation that the limit applies to all head teachers in maintained schools and that pay should not exceed that limit. However, we accept that there may be genuinely exceptional cases where a higher level of remuneration is merited. We expect these cases to be very rare and to diminish over time as more rigorous governance takes effect.

4.70 We recommend that in **wholly exceptional** cases, where the remuneration or other relevant committee of the governing body considers there is a case to exceed the limit, they must make a **business case** for the exception to the full governing body, which may need to consider appropriate appeal arrangements. **The full governing body must seek external independent advice on head teacher pay before making a decision** on the case for exceeding the limit and the amount of the total remuneration. There must be a clear audit trail for any advice given to the governing body and a proper record of all decisions and the reasoning behind them.

4.71 We also recommend that the Department should consider what **arrangements should be put in place to monitor the use of exceptions** to the limit on discretions.

Our conclusions on disclosure of head teachers' remuneration

4.72 Several consultees suggested that public disclosure of head teachers' salaries would of itself serve as an effective limit. In considering our recommendations we were also mindful of the Code of Practice on senior public sector pay proposed by SSRB and a general trend towards publication of remuneration of senior people in the public sector¹⁹. This was illustrated by a recent policy initiative from the Secretary of State for Communities and Local Government on publication of pay of senior local authority officials²⁰.

4.73 We believe full public disclosure is a desirable longer term aim but is not in itself sufficient response to the need to establish limits on head teacher pay. We also recognise there are at present concerns about privacy for individual head teachers who are often well known figures in their local communities. We believe the implementation of our recommendations should encourage more structured and sustainable decision making on head teacher pay which both individuals and governing bodies will, over time, be increasingly content to justify to a wider public audience.

Fair pay in the public sector

4.74 As we indicated in paragraph 4.6 above, we developed our proposals in advance of publication of the Hutton Review of Fair Pay in the public sector. We believe that our package of recommendations, with its emphasis on effective governance and rigorous justification of the use of discretions, is consistent with the broad principles of that report, in particular, its proposed 'Fair Pay Code'.

Recommendations

4.75 **Our recommendations are as follows:**

- **There should be an overall limit on the discretions that can be applied to head teachers' pay.**
- **There should be a "base" ISR for a head teacher clearly defined in the STPCD and it should be the normal expectation that this remuneration covers the head teacher's full role.**

19 Op. Cit. SSRB *Initial Report on Public Sector Senior Remuneration*

20 DCLG (2011) *Code of recommended practice for local authorities on data transparency – consultation*

- Any discretions above “base” ISR should be used only when clearly justified and the total of all discretions should not exceed the limit of 25% above the individual’s point on their “base” ISR in any given year.
- Governing bodies should ensure they have oversight of all the contractual arrangements and income streams applying to the head teacher.
- It should be wholly exceptional to exceed the limit of 25% above “base” ISR, but where it is necessary to consider an exception, a business case must be presented to the full governing body, which must seek external independent advice in reaching its decision.

4.76 We also recommend that:

- The Department re-draft the provisions in the STPCD to give effect to our recommendations, including in particular:
 - Making clear it should be the normal expectation that the remuneration provided by the “base” ISR, as set out in paragraphs 4.55 – 4.57 above, should encompass all the responsibilities of a head teacher, for example the need to address improvement challenges in the “home” school and a wider contribution across the education system such as the sharing of good practice and liaison with other service providers.
 - Making clear the role of the governing body in considering any wholly exceptional cases to exceed the limit. This must require the relevant committee to make a business case for the exception to the full governing body, which must itself seek external independent advice before making a decision on whether it is justifiable to exceed the limit and the amount of the total remuneration. There must be a clear audit trail for any advice given to the governing body and a full and proper record of all decisions and the reasoning behind them.

4.77 We further recommend that the Department should:

- Seek better to align the structure of the STPCD so as to draw together in one place all existing discretions as they impact on head teachers and locate provisions on head teachers’ pay alongside statements on head teachers’ professional responsibilities.
- Consider what arrangements should be put in place to monitor the use of exceptions to the limit on discretions.
- Consider how to give effect to our recommendation that governing bodies should ensure they have oversight of all the contractual arrangements and income streams applying to a head teacher, e.g. by a single contract for a head teacher, overseen by the governing body.

CHAPTER 5

Looking ahead

Our next remit

5.1 In the remit letter for this report, the Secretary of State said that he intended to give us a further remit asking us to *examine the scope for, and make recommendations on, the introduction of greater freedoms and flexibilities that are consistent with the Coalition Government's commitment to reduce the rigidity of the existing pay and conditions framework*. This intent was also signalled in the White Paper¹.

5.2 OME commissioned some research into pay flexibilities on our behalf last autumn. This was aimed at improving our understanding of how flexibilities within the reward system for teachers and school leaders are used and viewed by head teachers and chairs of school governing bodies. We referred earlier in this report to some of the findings on head teacher pay relevant to the current remit. The full research report is now published on the OME website². We will be considering carefully that research and other related evidence once we are clear on the detail of the next remit and will ask consultees for their views.

The teacher labour market

5.3 In Chapter 2 we set out the wider economic and labour market context to our current remit. We recognised the uncertain outlook for the economy in the coming year. We also noted that the Government's policies of pay restraint and public sector pension reform would affect public sector workers, including teachers. Several consultees proposed that the teacher labour market be monitored during the period of the pay freeze. Some also suggested that changes to pension provision could affect decisions by those nearing pension age on how long they should remain in the teaching profession.

5.4 We recognise that the cumulative impact of these measures on the teacher workforce could affect recruitment and retention. It will therefore be important that the Department makes available to us the appropriate data that will allow us to monitor trends in teacher supply over this period.

Leadership pay

5.5 We referred in Chapter 4 to developments in the models of school leadership in recent years which have included a wider system leadership role for head teachers and distributed leadership within schools. Our recommendations in this report have focused on limiting the discretions on head teachers' pay, a particular priority in the context of the difficult economic

1 Op. Cit. DfE, *The Importance of Teaching* paragraph 2.31

2 Infogroup/ORC International (2011) *Teacher's Pay Issues: research findings 2010* at http://www.ome.uk.com/STRB_Research_Documents.aspx

environment and the need to protect public funds. We believe our proposals, with their emphasis on better governance and taking an overall view of a head teacher's responsibilities, are an important and necessary step forward.

5.6 We will however wish to return to this issue. It will be important to assess the effectiveness of our recommendations in this report and to consider wider developments affecting the leadership group, including the impact of increasing numbers of academies and free schools on the labour market for school leaders. More widely, it is recognised – by the Department and by consultees – that there is a case for a wider review of leadership pay. This is something we proposed in our Eighteenth Report Part One and we remain of the view that in the longer term it will be important to undertake a more fundamental review of pay for the whole leadership group.

APPENDIX A

Remit and directions from the Secretary of State



Rt Hon Michael Gove MP
Secretary of State

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17 October 2010

A handwritten signature in black ink, appearing to read 'Dr Anne'.

STRB REMIT: MATTERS FOR REPORT

I am writing to set out some issues on which the Government seeks recommendations from the School Teachers' Review Body (STRB), and a timetable for reporting on these.

Thanks to your previous work, including the most recent STRB recommendations, we have implemented pay increases of 2.3 per cent for 2010/11 as the final year of the three-year pay award for teachers, and have implemented new criteria and a range for SEN allowances. We have also taken forward some restructuring of the School Teachers' Pay and Conditions Document by revising conditions attached to teachers' responsibilities.

I am setting this new remit in a considerably different economic context. As you will know the emergency Budget imposed a two-year public sector pay freeze, apart from for those earning £21,000 or less. The Chief Secretary to the Treasury (CST)'s 26 July letter to Review Body Chairs set out further details, including that there should be a minimum uplift of £250 for those earning below this threshold. I am now seeking your recommendations on this matter, which will affect a proportion of unqualified teachers.

As school formation evolves, we want to ensure that there are legitimate, effective and appropriate arrangements in place for leadership pay. I can confirm that I would like specific recommendations from the STRB on limits on head teachers' pay, in

particular setting limits in line with the Prime Minister's salary, with a view to implementing any new arrangements from September 2011. In considering this matter I am conscious of the need to recognise the different challenges associated with different posts, and the need to incentivise the best heads to take on the most challenging jobs.

In addition to the above matters for immediate report, I intend to write to you early next year with a further remit that will ask the STRB to examine the scope for, and make recommendations on, the introduction of greater freedoms and flexibilities that are consistent with the Coalition Government's commitment to reduce the rigidity of the existing pay and conditions framework.

Matters for recommendation

I refer to the STRB the following matters for recommendation:

- a. what pay uplift should be awarded to those teachers earning £21,000 or less in the context of the two-year public sector pay freeze that will affect teachers from September 2011; and the CST's instruction that there should be a minimum award of £250 in each of these two years;
- b. in the context of longer term arrangements for rewarding emerging models of leadership, whether there should be a limit on the value of discretions that can be applied to head teachers' pay; and if so, what it should be and how it could be applied.

Considerations to which the STRB is to have particular regard

These considerations are:

- a. the need to make all recommendations affordable within the context of the Government's plans for deficit reduction;
- b. recruitment and retention data and wider economic and labour market conditions;
- c. the need to ensure consistent and reasonable pay arrangements which encourage teacher professionalism together with supporting recruitment and retention;
- d. the importance of promoting simplification of the pay system; and
- e. the need for coherence across the teachers' pay system.

The Review Body must also have regard to relevant legal obligations of relevant bodies, particularly anti-discrimination legislation relating to gender, race, sexual orientation, religion and belief, age and disability.

Timescale for report

In order to allow adequate time for consideration of and consultation on your recommendations, I require you to report to me by 28 February 2011 on the first remit matter and by 30 March 2011 on the second matter for recommendation covered by a. and b. above.

I am very grateful to the STRB for its work and look forward to receiving its recommendations.

With my good wishes,



MICHAEL GOVE

APPENDIX B

Guidance to Review Bodies from the Chief Secretary to the Treasury on the treatment of employees earning £21,000 or less

HM Treasury, July 2010

Treatment of employees earning £21,000 or less

Definition of employees earning £21,000 or less

- This should be determined on the basis of basic salary of a full-time equivalent employee, pro-rated on the basis of the hours worked, using the standard number of hours per week for that organisation.
- Part-time workers with an FTE salary of less than £21,000 should receive a pro-rata increase on the basis of the number of hours worked.
- The £21,000 is based on the normal interpretation of basic salary and does not include overtime or any regular payments such as London weighting, recruitment or retention premia or other allowances.

Size of increase

It is for the Review Bodies to recommend on the size of the uplift for those earning £21,000 or less, though the Government will seek an uplift of at least £250. When considering their recommendations, Review Bodies may want to consider:

- the level of progression pay provided to the workforce;
- affordability;
- the potential for payments to be more generous for those on the lowest earnings; and
- how best to avoid 'leapfrogging' of those earning just under £21,000 with those earning just over £21,000, potentially through the use of a taper.

APPENDIX C

Recommendations on pay for teachers earning £21,000 or less



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Rt Hon Michael Gove MP
Secretary of State for Education
Sanctuary Buildings
Great Smith Street
London
SW1P 3BT

28 February 2011

Dear Michael

SCHOOL TEACHERS' REVIEW BODY: RECOMMENDATIONS ON A PAY AWARD FOR TEACHERS EARNING £21,000 OR LESS

In response to your letter of 27 October 2010, I have pleasure in presenting the School Teachers' Review Body's recommendations relating to a pay award for those teachers earning £21,000 or less. In your letter, you asked us to make recommendations on:

what pay uplift should be awarded to those teachers earning £21,000 or less in the context of the two-year public sector pay freeze that will affect teachers from September 2011; and the Chief Secretary to the Treasury's instruction that there should be a minimum award of £250 in each of these two years.

In summary, we are recommending that:

- A non-consolidated payment of £250 be made in both years to all full-time teachers on spine points 1-3 of the Unqualified Teachers' scale;
- The £250 payment be pro-rated according to their working hours for part-time teachers on points 1-3 of the Unqualified Teachers' scale; and
- The Department as part of its consultation process, seek views on a simple and cost-effective method of payment, and issue guidance as appropriate.



The attached paper containing our analysis and recommendations will form the basis of a chapter in the STRB's 20th report, due on 30 March 2011.

I am submitting these recommendations in parallel to the Prime Minister and copying this letter to the Minister of State for Schools.

Kind regards

A handwritten signature in cursive script, appearing to read 'Anne'.

Dr Anne Wright CBE
Chair, School Teachers' Review Body

APPENDIX D

Conduct of the Review

D1 On 27 October 2010, the Secretary of State for Education asked us to consider two matters relating to teachers' pay: a pay award for those earning £21,000 or less, to report by 28 February 2011, and a limit on the value of discretions that can be applied to head teacher pay, to report by 30 March 2011. We were asked to have regard to a number of considerations. The Secretary of State's letter is at Appendix A. Our work to respond to these matters took place between October 2010 and March 2011.

Consultation

D2 On 28 October 2010 we gave the following organisations the opportunity to make written representations and provide evidence on the matters on which we were due to report:

Government

Department for Education (DfE)
Welsh Assembly Government

Organisations representing teachers

Association of Professionals in Education and Children's Trusts (Aspect)
Association of School and College Leaders (ASCL)
Association of Teachers and Lecturers (ATL)
British Association of Teachers for the Deaf (BATOD)
National Association of Head Teachers (NAHT)
National Association of Schoolmasters Union of Women Teachers (NASUWT)
National Union of Teachers (NUT)
Undeb Cenedlaethol Athrawon Cymru (National Association of the Teachers of Wales) (UCAC)
Voice

Association of local authorities

National Employers' Organisation for School Teachers (NEOST)

Organisations representing governors

Governors Wales (GW)
National Governors' Association (NGA)

Other interested parties

Agency for Jewish Education
Association of Directors of Children's Services (ADCS)
Association of Directors of Education in Wales (ADEW)
Association of Muslim Schools
Catholic Education Services for England and Wales
Education Office of the Methodist Church
Her Majesty's Inspectorate for Education and Training in Wales (Estyn)
Foundation and Aided Schools' National Association (FASNA)
Free Church Education Unit
General Synod of the Church of England
General Teaching Council for England (GTCE)
General Teaching Council for Wales (GTCW)
Information for School and College Governors (ISCG)
National College for School Leadership (NCSL)
Office for Standards in Education, Children's Services and Skills (Ofsted)
Specialist Schools and Academies Trust
Training and Development Agency for Schools (TDA)

D3 We invited the above consultees to respond in writing by 3 December 2010 and asked them to copy their submissions to other consultees. We gave consultees an opportunity to comment in writing on other consultees' submissions.

D4 The following consultees made written submissions: BATOD, Department for Education, Governors Wales, NASUWT, NEOST¹, NGA, and the Six Unions². NASUWT and the Six Unions provided supplementary evidence in response to other consultees' submissions in January 2011.

D5 The following consultees were invited to make oral representations: ASCL, ATL, the Department, NAHT, NASUWT, NEOST, NGA, NUT, UCAC, and Voice. All these organisations made individual representations at meetings in January 2010, apart from ASCL and NAHT who made a joint representation.

D6 OME commissioned research on behalf of the Review Body in autumn 2010 from Infogroup/ORC International. The aim was to improve STRB's understanding of how those flexibilities within the reward system for teachers and leaders were viewed by head teachers and by chairs of school governing bodies. The provisional findings from the research relating to head teachers' pay was shared with consultees in February 2011 and consultees were given an opportunity to comment on the provisional findings. ASCL and ATL submitted comments.

1 NEOST (2010) <http://www.lge.gov.uk/lge/aio/10035033>. NEOST is the representative body for employers of teachers in maintained schools in England and Wales. It draws members from the Local Government Association, the Welsh Local Government Association, FASNA, the Church of England Board of Education and the Catholic Education Service.

2 ASCL, ATL, NAHT, NUT, UCAC and Voice submitted their evidence jointly.

D7 Teachers' pay and conditions of service have not been devolved to the Welsh Assembly Government and remain the responsibility of the Department for Education. The Welsh Assembly Government contributed to the Department's submission.

Visits and Meetings

D8 In total, STRB had 10 working meetings between October 2010 and 24 March 2011, when the report was submitted. It held two additional full day meetings at which it heard oral representations from consultees.

D9 The Chair attended a meeting with the Secretary of State for the Department for Education, the Rt Hon Michael Gove MP in September 2010. With other Review Body Chairs, she also met the Chief Secretary to the Treasury, the Rt Hon Danny Alexander MP, in June 2010. She met General Secretaries of some teacher unions and associations between June and November 2010: John Dunford and Brian Lightman, ASCL; Mary Bousted, ATL; Russell Hobby, NAHT; Chris Keates, NASUWT; and Christine Blower, NUT. The Chair also attended an annual presentation by HMT for Review Body Chairs and Economists, with Professor Dolton, a former member of STRB, in July 2010.

D10 Between June 2010 and December 2010 members of STRB visited schools in the following local authorities:

- Hull
- Haringey
- Monmouthshire
- Leicester
- Bromley
- Camden

D11 In total 14 schools were visited: five secondary schools, seven primary schools, and two special schools. In each school, STRB members met groups of teachers and leaders to discuss teachers' pay and conditions. During the visits to Haringey, Hull, Monmouthshire, Bromley, and Camden, STRB members additionally met local authority officials. In Leicester and Camden, STRB members met school governors.

D12 Members had two presentations from DfE Directors: in July 2010, Marcus Bell, Director of Workforce Group gave a presentation on the coalition Government's education policy and in September 2010, Dugald Sandeman, Director of School Resources, gave a presentation on the Government's priorities for schools.



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ISBN 978-0-10-180372-4



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