

## **Honorary Treasurers Forum discusses how to set a fair and transparent remuneration policy**

The Honorary Treasurers Forum discussed the challenges of setting up a transparent, fair and appropriate remuneration system for charities when they met at Cass Business School on September 23.

Judith Miller, a partner at charity auditing firm Sayer Vincent, examined the implications of NCVO's recent recommendations on setting remuneration policies and also looked at the changes to the Charities State of Recommended Practice (SORP).

Judith emphasised that charities and trustees must be transparent and prepared to explain their thinking on pay if they are to retain the high levels of public trust they currently enjoy.

Among her key messages were:

- A remuneration policy and a remuneration committee are essential to make sure decisions are made in accordance with a charity's values.
- Transparency is a key element in retaining public trust. Decision-making should be clear and well-explained.
- The debate is not just about numbers. It is critical to consider the thought process behind each decision. Charities must be able to explain why they set salaries at the level they did and how they expect that to benefit their mission.
- It is important to find a balance between offering fair pay to attract, retain and motivate staff and being true to the aims and ethos of your organisation.
- A remuneration policy must be drafted in the context of your business plan. Be clear about what you hope to achieve, your financial resources and your staff requirements.
- Remuneration policies should be benchmarked against other similar organisations.
- Performance management is a key area. Make sure you have a robust and coherent performance plan in place to support your remuneration policy.
- The inquiry's recommendations are based on good practice rather than laws and regulations. However, this is where the sector will naturally move to.
- Fixed salary caps and ratios can inform the debate, but aren't particularly helpful on their own. Comparing the salaries of senior staff with the median wage in an organisation can be a sensible approach, though.
- Charities and trustees must think carefully about their approach to publishing details of staff remuneration. It is a sensitive issue, but perhaps being transparent

and getting on the front foot is the best approach. SORP 2015 requires charities to disclose the total amount of employee benefits given to key management personnel.

- A key part of this is to explain the narrative behind your remuneration decisions and to communicate that effectively.

"I tried to interpret for me what I found to be the key issues (in the report) and it came back to one of trust," Judith Miller told the delegates. "The sector is trusted by the public. There is a high level of public trust and we must not let that be eroded. We must build on it.

"It is not just numbers and what we pay people. The critical thing is the thinking. What was your approach, what was your process, what was your rationale, how did you conclude that those numbers were the right thing for your charity, the right thing in terms of delivering your charitable benefit?"

Bruce Gordon, chairman of the Honorary Treasurers Forum and a member of the NCVO team that published the remuneration report and recommendations in April, said there was no tension between SORP and the NCVO's ideas.

"Basically, the SORP is the absolute minimum requirement," he said. "You need to do that or you don't get your audit certificate and you go off to jail. This (the NCVO report) is what we regard as best practice. It's quite far away from the SORP in terms of the level of transparency and we are hoping over time that people will move to it. But it is not compulsory. It is a recommendation of best practice rather than an absolute rule."

Coral Newton, director of planning and resources at NCVO, said the recommendations were designed to formalise processes and make decisions more explicit.

"It's about getting on the front foot. Think about who out there is going to be interested, how are we going to explain this, let's put in context and let's be ready for Press interest. If we've been through this process, we have a clear rationale for how we make decisions about pay, then not being defensive about that is really helpful."

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