
Setting and Communicating Remuneration Policies

A quick guide for charities

Setting and Communicating Remuneration Policies

NCVO's Inquiry into Senior Executive Pay has recommended that, as good practice, all charities that employ staff should consider adopting a remuneration policy, and that charities whose accounts are independently audited (currently those with a gross income of over £500,000) should publish an annual statement explaining their charity's ethos and policy on remuneration.

Setting a remuneration policy

The charity's purposes, values and achievements, as well as its income and activities, will influence how its remuneration policy is developed and put into practice.

The following are some principles we recommend charities adopt as good practice when setting their remuneration policy.

1. The goal of a charity's pay policy should be to offer fair pay to attract and keep appropriately qualified staff to lead, manage, support and deliver the charity's aims. It should always be consistent with these aims and recognise that for certain charities it's possible to attract senior executives with lower pay than public or private sector market rates.
2. Trustees are ultimately responsible for setting remuneration levels for the charity's most senior staff. These senior staff should be clearly identified by the trustees and will typically, although not always, be part of the charity's executive or senior management team.
3. To set appropriate pay and rewards for these staff requires making informed judgments and following the charity's governance and constitutional arrangements.
4. In deciding top levels of pay and rewards, trustees should consider:
 - a) the purposes, aims and values of the charity, and its beneficiaries' needs
 - b) how this affects pay policy for all employees, and for the senior staff in particular, including whether a lower rate of pay compared to similar roles in other sectors is appropriate
 - c) how pay is linked to the skills, experiences and competencies that the charity needs from its senior staff and the scope of their roles
 - d) the charity's current business plan and how implementing it may affect the number of senior staff the charity needs to employ or recruit, and the nature of these roles
 - e) the charity's ability to pay, including:
 - the benefit to the charity that such positions will bring
 - the cost to the charity of increasing remuneration levels

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- how increasing pay, particularly at senior levels, would be perceived by employees, donors and beneficiaries
 - whether it's affordable, including in the longer term (perhaps based on a risk assessment of future income and expenditure)
 - the appropriateness of the pay in the context of the charity and its beneficiaries' needs
- f) their assessment of the charity's and senior staff's performance against expectations, both short and long term
- g) information on pay policies and practices in other organisations that could help guide a decision on whether a level of pay is fair
- h) the wider 'employment offer' they can make to potential employees, where pay is one part of a package that includes personal development, personal fulfilment and association with the charity's cause
- i) the charity's track record in attracting and retaining committed and motivated employees
- j) the likely impact on, and views of, beneficiaries, donors, funders, and current and potential volunteers
- k) the relationship between policy and practice for pay of senior staff and that of the charity's whole workforce.

Communicating the pay policy

The Inquiry says that all large charities should publish an annually updated statement explaining their ethos and policy on remuneration and how this affects the delivery of their charitable purposes, as well as the actual remuneration, roles and names of the highest paid staff.

We recommend you publish this kind of statement:

- in your annual report
- somewhere easy to find on your website(s).

You can also use these remuneration statements to explain the complexity and challenges you face in delivering services, and why that may require certain pay levels.

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Trustees should ask themselves the following questions when setting remuneration and communicating it to the public.

- Does the charity's remuneration policy comply with its ethos? How are we explaining this to donors and others?
- How do remuneration levels affect the delivery of the organisation's charitable purposes?
- Do salaries reflect the nature of the skills that are required for each role?
- Are salaries reviewed regularly by an independent body?
- Have trustees considered using external benchmarking and ratios in setting senior executive pay?
- Have other factors been considered, such as the charity's ability to pay, its complexity, the type and range of activities it undertakes, its size, its geographical location, its client group, etc?
- Have we been clear and open in helping people understand our decisions in these areas?

To present the clearest possible picture, we recommend that you set out salary and pension contributions, as well as any other major benefits, separately, rather than combining them into a single figure.