

Press release: UK's biggest firms will have to justify pay gap between bosses and their workers

- For the first time ever, listed companies will legally be required to annually publish and justify pay difference between chief executives and their staff
- the directors of all large companies will also have to set out how they are acting in the interests of employees and shareholders
- reporting is part of the government's modern [Industrial Strategy](#) which is helping ensure the UK remains a world-leading place to invest and do business.

Big firms will have to justify their chief executives' salaries and reveal the gap to their average UK worker, under new laws to be laid in Parliament tomorrow (Monday 11 June).

It means that for the first time, UK listed companies with more than 250 UK employees will have to disclose and explain this difference – known as 'pay ratios' – every year.

This follows concerns that some chief executives have been receiving salaries that are out-of-step with company performance.

These new regulations are part of a package of reforms which will hold big businesses to account for the salaries they pay, while giving employees a greater voice in the boardroom.

Business Secretary Greg Clark said:

One of Britain's biggest assets in competing in the global economy is our deserved reputation for being a dependable and confident place in which to do business.

Most of the UK's largest companies get their business practices right but we understand the anger of workers and shareholders when bosses' pay is out of step with company performance.

Requiring large companies to publish their pay gaps will build on that reputation by improving transparency and boosting accountability at the highest levels, while helping build a fairer economy that works for everyone.

The new regulations form a core part of the government's modern Industrial Strategy which aims to build on the UK's strong reputation and make sure our largest companies are more transparent and accountable to their employees and shareholders.

In addition to the reporting of pay ratios, the new laws will also:

- require all large companies to report on how their directors take employee and other stakeholder interests into account
- require large private companies to report on their responsible business arrangements
- require listed companies to show what effect an increase in share prices will have on executive pay to inform shareholders when voting on long-term incentive plans

Responding to the government's new corporate governance laws, the chief executive of the Investment Association (IA) Chris Cummings said:

The UK has a global reputation as a leader in corporate governance and we welcome today's package of reforms as they focus on the long-term interest of all company stakeholders, including shareholders and employees.

Investors are demanding greater director accountability and transparency on executive remuneration. Pay ratios will shine a spotlight on what executives are being paid compared with their workforce, and investors will expect Boards to articulate why the ratio is right for the company and how directors are fulfilling their duties.

Through the IA's Public Register we are seeing investors hold business to account. The IA wants to ensure UK listed companies are run in a way that delivers long-term returns for savers and pensioners.

Director of the High Pay Centre Luke Hildyard said:

Pay ratios provide an insight into the culture and employment practices of major companies that is useful to investors, workers and wider society alike.

This is a welcome move that will greatly improve public understanding of the pay gap between those at the top and low and middle-income earners.

We hope that it will initiate a more informed debate about what represents fair, proportionate pay for workers at all levels.

Chief UK Policy Director of the Confederation of British Industry (CBI) Matthew Fell said:

The CBI is clear that high pay is only ever justified by outstanding performance. High pay for mediocre or poor performance

is unacceptable.

This legislation can help to develop a better dialogue between boards and employees about the goals and aspirations of their business, and how pay is determined to achieve this shared vision.

Ratio comparisons between sectors and firms will be as meaningless as comparing apples and oranges. What's most important is that all businesses make progress towards fair and proportionate pay outcomes.

UK Government Minister Lord Duncan said:

It only takes poor behaviour from a small number of companies to damage the public's trust in big business. These new laws will ensure that differences in salary within large companies across Scotland and the whole of the UK – and the reasons for the variations – will be there for all to see.

Improving transparency and accountability in this way, plus other initiatives such as giving employees a voice in the boardroom, will help create a more equal and fair society while ensuring that the UK remains a world-leading place to invest and do business.

The new laws follow last year's corporate governance reforms which sought to increase boardroom accountability.

Subject to Parliamentary approval, the regulations will come into effect from 1 January 2019 meaning that companies will start reporting their pay ratios in 2020.

The government has already:

- supported the Investment Association's world-first public register of FTSE-listed companies where more than one fifth of shareholders have opposed resolutions on executive pay packages, directors' re-appointments and other issues
- appointed James Wates to lead a coalition of industry and wider society bodies in drawing up the UK's first-ever set of corporate governance principles for large private companies
- launched research into the use of share buyback schemes to see if they are being used to artificially inflate executive pay
- asked the Financial Reporting Council (FRC) to revise its Corporate Governance Code to strengthen the voice of employees and other stakeholders in the boardroom
- proposed new reforms to ensure that directors dissolving companies to dodge debts and avoid facing accusations of misconduct will face investigation for the first time.

Speech: PM statement at G7 summit: 9 June 2018

Introduction

Good afternoon. At this G7 summit, we have discussed a range of issues – including the vital importance of defending democracy and the rules-based international system, free and fair global trade, the need to work for equal opportunities for all our citizens, and the need to protect our oceans.

There have been some difficult conversations and strong debate, but – by working together – we have agreed on outcomes to shape a better future.

Allow me to set out how.

Upholding international law

Foreign interference in our democratic institutions and processes, and other forms of malign state activity, pose a strategic threat to our shared values and interests.

Recent events have demonstrated the importance of a unified international response to send a clear message that such malign activity will never be tolerated.

We have agreed a new Rapid Response Mechanism to tackle this growing threat.

We have agreed we must maintain the global norm against the use of chemical weapons – and we have agreed to strengthen the ability of the Organisation for the Prohibition of Chemical Weapons to attribute responsibility for chemical weapons attacks.

I also welcome the G7's recognition of the need to maintain sanctions on Russia in light of Russia's failure to fully implement the Minsk Agreements in Ukraine.

We have agreed to stand ready to take further restrictive measures against Russia if necessary.

Making the global economy work for everyone

On trade and the global economy, we have discussed the importance of the multilateral rules-based trading system, as the framework for enabling free and fair global trade.

But some people feel left behind by globalisation. And not all countries play

by the rules.

So we need to show our citizens that the global economy can truly work for everyone, with the benefits of free trade felt by all.

That means working to make the international system, including the World Trade Organisation, operate more effectively.

It does not mean taking unilateral action against your partners.

Where we disagree with our allies on something, it is right that we say so, and air the issue openly and frankly.

We have done just that at this summit, registering our deep disappointment at the unjustified decision by the US to apply tariffs to EU steel and aluminium imports.

The loss of trade through tariffs undermines competition, reduces productivity, removes the incentive to innovate – and ultimately makes everyone poorer. And in response, the EU will impose countermeasures.

At the same time, we need to avoid continued tit-for-tat escalation, and maintain a constructive dialogue.

As a champion of free trade, the UK will continue to support these efforts.

Championing equality

What distinguishes the G7 is our common belief in human rights and the equal value in every citizen's voice, regardless of gender, sexuality, ethnicity, or socio-economic background.

I am a passionate advocate of improving education for girls around the world.

And, at this summit, the UK has announced £187 million of new funding to support over 400,000 girls in developing countries in getting 12 years of quality education.

We have also committed to new action to prevent gender-based violence, abuse and harassment online.

Following the UK call for tech companies to do more to help fight internet harms, they have already made significant strides in using new technologies to tackle online extremist content – and we now need to extend that effort to address the growing threat of online violence against women and girls.

In particular, we are committed to new joint working to tackle the use of the internet to facilitate people trafficking for the purposes of sexual exploitation.

Sustainability

Finally, we have discussed the urgent need for global action to tackle oceans pollution, which is one of the greatest environmental challenges facing the world.

The UK government is a world leader on this issue, through our 25 Year Environment Plan.

And here at this summit, we have recognised the need for greater global action and coordination on marine plastics pollution, including working with business, industry and Non-Governmental Organisations to find innovative solutions.

Conclusion

The discussions here have been candid and they have been productive – underlining the importance of continuing to work together to uphold the values that shape our world.

The G7 is a vital forum for full and frank discussion between close allies. I want to take this opportunity to thank Justin Trudeau for his leadership in delivering a positive outcome.

Together, we stand determined to create a safe, secure and prosperous future for all our citizens.

[Press release: Hostile states to face rapid and unified international response](#)

Hostile state activity will be met with a rapid and unified G7 response, including greater intelligence sharing, under an agreement secured by Prime Minister Theresa May.

The move will also see hostile states publicly ‘called out’ for their egregious behaviour – with coordinated international attribution of cyber and other attacks.

Speaking at the G7 Summit in Quebec, the Prime Minister has emphasised that recent events, including the reckless use of ‘NotPetya’ ransomware and the attempted murder of the Skripals in Salisbury, have demonstrated the importance of a unified international response to send a clear message that such hostile state activity will not be tolerated.

The Prime Minister has stated that calling out malicious activity helps to end hostile states' false sense of impunity, demonstrates our awareness of their activity, and underlines our willingness to defend ourselves.

At the G7 Foreign Ministers meeting last month, the UK proposed a new, more formalised approach to tackling foreign interference across the G7.

And today, G7 leaders have agreed to establish a new Rapid Response Mechanism (RRM).

The Prime Minister said the agreement sent a strong message that interference by Russia and other foreign states would not be tolerated.

This G7 initiative will support preventative and protective cooperation between G7 countries, as well as post-incident responses.

It includes:

- sharing of threat intelligence, including hostile activity, techniques and practices
- Improving understanding of partner countries' policies and thresholds for taking action
- support for independent international institutions
- work with industry to strengthen physical and digital infrastructure
- co-ordinated attribution of hostile activity
- joint work to assert a common narrative and response

Speaking at the G7 Summit, the Prime Minister said:

There is no doubt that foreign interference in our democratic institutions and processes, and other forms of hostile activity, pose a strategic threat to our shared values and interests.

So I welcome today's agreement that the G7 will exchange information, co-ordinate action, and develop strategies to reinforce our democracies, strengthen our societies' resilience and uphold freedom of expression and a free and independent media in the face of this growing threat.

Today's announcement shows that the G7 will not tolerate foreign interference in any one of our democracies, that we are getting organised, and that we will take coordinated action against those who seek to violate the rules-based international system.

Calling out malicious activity helps to end hostile states' false sense of impunity, demonstrates our awareness of their activity, and underlines our unwavering willingness to defend ourselves.

The Prime Minister has also called for additional measures to curb Russia's ability to undermine the international rules-based system, including:

- doing more together as the G7 to better understand illicit money flows and then agree concrete actions to stop dirty money undermining our democracies
- sharing more information so that Russian intelligence agents expelled from one country do not simply enter another country

The UK has also lobbied for a robust, united international position to uphold and strengthen the global prohibition on the use of chemical weapons.

Today the G7 has discussed its collective commitment to the Chemical Weapons Convention and called on all countries to support the Organisation for the Prohibition of Chemical Weapons (OPCW) special Conference of States Parties, which is expected to take place later this month.

The Prime Minister has urged fellow leaders to capitalise on the important opportunity this meeting presents to empower the OPCW to attribute responsibility for chemical weapons attacks, strengthening the global norm against chemical weapons use.

Speech: Damian Hinds speech at National Governance Association conference

I want to begin with a huge thank you – to those of you in this room, and to governors, trustees and clerks, up and down the country.

One of our undoubted strengths as a country, a very British quality... is this sense of duty felt by communities towards our public institutions – we see our schools and the education of our children, rightly, as a shared responsibility, a shared enterprise.

But there are some people who take their share of responsibility to a much, much higher level.

What you do as governors and trustees can't simply be measured in hours spent. Although, of course, I do also recognise it is also a large volume of hours.

But it's also the weight of responsibility. Making budgets add up, recruiting and retaining staff, helping to set your school's whole ethos and vision for the future.

And of course, knowing all the while that these decisions will affect children's futures and, ultimately, our nation's future.

And I know that for some of you, the role of governor has also changed considerably in recent years.

There are now around 2,800 academy trusts involved in running schools, which means even greater reach and capacity to improve the education of even more children but also more responsibility as well.

So, once again – thank you. Whether you represent a primary or secondary school, an academy or local authority maintained school, a faith school, a Further Education College, or one of our incredible schools helping children with special needs or delivering Alternative Provision.

Thank you for volunteering and for fitting being a governor around your other jobs, your other commitments, and of course your families.

Fundamentally this is a people business. There is nothing more important in education than the people delivering it. Great teachers, great heads – and of course great governors.

Good and effective governance is essential for any school – you can't separate it from educational performance or good management.

So today I will talk about how I intend to support you, and support good governance and leadership in schools.

And I'll start with recruitment and retention.

Now I know that for many of you teacher recruitment and retention is a top and live issue for many of you – and it's a top priority for me as well.

Yes it is true that there are more teachers in schools than ever before – but also pupil numbers are rising. And with an improving economy, the strong recruitment market the competition for bright graduates is intense.

So I am determined to make sure that teaching remains one of the most attractive and fulfilling jobs you can do.

By supporting schools to bear down on excessive workload.

By strengthening professional development, in the crucial early period and throughout careers.

And by promoting more flexible working – indeed we have a workshop here today.

I also want to do everything I can to help boost governor recruitment and retention – because simply we need more great people like you.

So today I'm issuing a call to arms, appealing to people up and down the country to join you in this vital role.

As Emma Knights has said previously, good governance needs a range of voices. And that was powerfully on display in the video we have just seen – and I

champion the work NGA are doing, through your Everyone on Board campaign, to encourage more diversity – and for more women in leadership roles.

Governing and trust boards should reflect the communities they serve.

So, I want to urge people from different backgrounds, different professions, to come forward – to offer up their time, energy, skills, and expertise.

Parent governors continue to be crucial and I'd like to see more young people get involved, more people from black and ethnic minority communities, more people from right across society with the ability and experience to lead.

First, because so many people want to give something back to their community, this is truly one of the most valuable and far reaching ways you can do that.

Of course, it's not work to be undertaken lightly but there is great fulfilment to be found from it, as you know. Some of you start as a governor at your own children's school – they grew up, and you're still involved.

Because you care – because you're dedicated to doing your best for your school and, in a sense, your 'other' children – your extended and very diverse family.

All of whom you want to have the highest standard of education and the chance to fulfil their potential.

And now that we have trusts that cover groups of schools, there are many more lives that volunteers can influence, going beyond their own immediate community.

Governors' own words on this will carry far more weight than mine – and that's why my department is launching a new recruitment video online for social media and asking you to add your voice to this call for more governors.

I'm also making an appeal today to the nation's employers.

Supporting your staff to be governors gives employers the opportunity to invest in their local community. The opportunity to shape the talent pool of the future – and, let's not forget, it is a great development opportunity for staff.

With the strategic thinking involved, the challenge of managing resources, of recruiting and retaining the best people. How can you beat that for personal and management development?

It's not just schools either – governors of Further Education colleges are key to providing the skills and training businesses need, and they will play a pivotal role delivering our new T Level qualifications.

So, that's why I'm writing to the 30,000 members of the Institute of Directors, urging them to encourage employees to take on this role, and give them the time it requires.

And I want to say thank you to Inspiring Governance and Academy Ambassadors for the work they do on recruiting and supporting new governors and trustees – if you are not aware of these organisations please do take a moment to look at their website and encourage others interested in volunteering to do so as well.

I also want to offer greater support to existing governors and trustees.

So I'm announcing today that funding for governor and trustee training will be doubled to £6 million up to 2021.

And we will continue to work with organisations, like the NGA, to develop and improve the guidance and other materials available to governors, trustees and clerks.

I recently spoke to heads from across the country – and I had a message for the many excellent schools, which was simply this: I trust you to get on with the job.

My vision for these schools is simply that they are clear on what's expected of them – and largely autonomous from government.

I have also acknowledged that, vital as accountability is, the current system that we have can lead to stress and anxiety for some teachers, leaders and governors – the fear of inspection, of a single bad results year, the fear of the school being made to convert to an academy.

I want becoming an academy, with all the benefits that brings, to be a positive choice for schools – I don't want it to be seen as a punitive threat.

I recently set out key principles for how I see the accountability system working in the future, which we will be consulting on in the Autumn. I urge you and your schools to feed in your views.

In the future, an Ofsted Inadequate judgement alone would lead to hard action to convert a Local Authority maintained school to an academy. And schools will no longer face those visits from Regional Schools Commissioners' advisers that can sometimes feel a lot like an inspection.

On those rare occasions when a school is failing – be in no doubt – we will intervene fast and we will take the serious action necessary.

But otherwise, as I've said, I want to trust governing bodies and school leaders to get on with the job.

And that's why we'll also build on our offer of support to schools that need it. Here I want to recast accountability not as something to be feared, or a blame game – but rather analysing what's not working and then fixing it, collaboratively.

Let me say a word about multi-academy trusts.

The vision behind these trusts is a simple one: it's about schools together doing more than they can on their own. It's about great schools widening their influence, getting the best teachers to where they are needed, sharing best practice across their local area and beyond.

It's about finding more effective and more efficient ways of doing things.

Ultimately, it's about sharing knowledge and innovation – which of course is the basis of education and, indeed, all human progress. We pool our ideas, our experiments, our mistakes, and yes our successes – and we learn and improve.

And we know the academies programme has had a transformational impact in turning round failing schools. Ofsted data shows that over 480,000 children now study in sponsored primary or secondary academies that are good or outstanding, the vast majority of which are part of a multi-academy trust – and these were, typically, previously underperforming schools.

In 2014, around 2,500 state-funded schools were in Multi Academy Trusts. This has grown to around 6,200 this year and I do expect that's a trend which will continue.

This doesn't mean we won't still have diversity across the education system – but increasingly I think we'll see more and more trusts being set up, growing to scale, and adopting the practices that, we know, quite simply, work.

We know that good governance, whether exercised at board or local level, is informed by meaningful engagement with parents to understand their views and listen to their feedback.

It is vital that boards are connected with the parents and carers and communities they serve. We do not want to see boards become detached or distant from parents.

But if trusts have a growing and increasingly important role in our system we need to make sure that our system of oversight and decision-making keeps up with that development.

Parents, carers – and indeed schools – want to know: what value are they getting for the money their trust spends?

And as a school system, we increasingly need to take decisions about trusts as well. Which trust is best placed to take on and improve a particular failing school? How quickly should we allow a particular trust to grow?

And – in rare cases – where the trust itself is failing or providing weak governance, we need to take action.

Of course, we can get part of the answer by looking at the educational performance of schools already in a trust. We already do this, through publishing MAT-level performance tables and working with Ofsted on batched inspections.

And in addition we publish considerable financial information about trusts – the latest academy trust financial benchmarking data will be published next week.

Our Regional Schools Commissioners use clear published criteria when deciding whether to allow a MAT to set up or expand.

But I recognise these approaches only take us so far. They don't give the full picture of the overall contribution made by the trust – including in governance and overall financial management – and what this means for its capacity to take on more schools.

So I have concluded that we need to have a transparent way of assessing the strength of individual trusts and the services they offer. The value for public money of their offer to schools.

This will make our decision-making more transparent and fairer. It will mean that schools and parents can easily access vital information about what being part of a particular trust will actually offer them.

We need to give real careful thought to how this would work. Which body or bodies are best placed to make this assessment of trusts.

The assessment will inevitably look different to an Ofsted school inspection – which will involve looking at very different things.

I want to take time to get this right, and I will not introduce anything that adds to teachers and school leaders and governors' workload.

So I will work closely with the sector, with Ofsted, the ESFA, my regional teams and others in the coming months.

In particular, I want to invite and listen carefully to proposals from MAT and school leaders across the country – before setting out a way forward later this year.

I want to make sure that every pound of public money for our schools is used in the best possible way for the good of our children and for our society. That means taking a tough approach in the rare cases where those involved in running schools break the agreements we have in place with them.

We will have a new more robust process to manage related-party transactions made by academy trusts.

Of course, some related-party transactions are perfectly legitimate and represent good value for money, but I think pretty much everyone would agree that a situation where board members could simply hand out contracts to companies that they or their family and business contacts have an interest – that is not okay.

Which is why from April trusts will have to seek approval from EFSA for related-party transaction payments of more than £20,000. Transactions below £20,000 will need to be formally declared.

We also want to be clear about our expectations on high pay – for all schools not just academies.

There is no doubt that our school system has many great leaders – and for large and complex organisations, pay, of course, must reflect the scale of the task.

However, pay needs to be proportionate, and I am clear that pay rises for non-teaching management should not exceed those awarded to teaching staff. And when considering what's fair, trusts and boards should not just compare pay rises over a single year, but look and compare over a number of years, at a time when public finances have been really stretched.

This is public money and, frankly, I think that for a headteacher or Chief Executive to be paid more than the Prime Minister, this should be only in exceptional circumstances for exceptional leadership.

So I want to urge all trusts to take a lead here and bear down on excessive salaries – you have our backing on that. In fact my department is today setting out clearer expectations around executive pay so you have the guidance you need.

We will be requiring academy accounts returns to detail all staff paid over £100,000 and the percentage of teaching time those individuals undertake.

And, rest assured, where salaries are too high – we will publicly challenge trusts and boards to justify themselves.

I've also said I want to work with schools of all types to help them with budgets and cost pressures.

And let me just acknowledge once again that, while it is true there is more money going in to schools than ever before, society asks more of schools than ever before. And budgets are tight.

I have pledged to work with schools as best I can to reduce some of the cost pressures. And as we enter negotiations in the run-up to the Spending Review I will of course be making a strong case to the Treasury to ensure our school system has the resources it needs.

We know that there are great suppliers out there – but frankly there are also companies that won't stop short of taking advantage. Equally, individual schools can find it hard to get the best deals and find economies of scale.

A few years ago schools were paying £75 per pupil for all their insurance requirements.

But DfE worked with the market to create a core cover protection offer, meaning that schools that join the scheme can save £40 per pupil, while even for schools not taking part market prices have dropped by an average of £20 per pupil.

And we're expanding the range of deals to help schools save money on goods

and services that they buy regularly. For example, these can save schools up to 10% on their energy bills and up to 40% or more on printers, photocopiers and scanners.

And a new national deal on supply agency fees will be launched later this year. We know that schools have reported supply agencies demanding as much as 30% of a teacher's annual salary as a finder's fee where the school wishes to hire them permanently. Our new deal will drive down agency margins and restrict the use of finder's fees.

This year the government has been piloting two new approaches: buying hubs in the North West and South West which provide free procurement advice to more than 600 schools; and school resource management advisers providing hands-on support to schools that need it most.

We also have our top 10 planning checks and online benchmarking service – which help governors ask the right questions and check how their school or trust compares with others in similar circumstances.

Ladies and gentlemen, we want – we need – all schools to be offering world-class education to every child, in every classroom. As society progresses, it's right that we are even more ambitious for children and especially for the most disadvantaged – including those with special needs, disabilities and children in the care system.

Once again – thank you. Without you our schools simply wouldn't run.

I pledge to work with the NGA and with businesses to encourage people to volunteer to become governors and do what you do. I'll help governors to access the training they need.

And, I'll support effective governance – making sure that our accountability system doesn't create unnecessary workload, but instead identifies where things aren't working and how we can fix it.

Helping more schools to work together including through Multi Academy Trusts and making sure that every pound counts.

Across all of this – there is only one aim, that we all share, to improve education for every child, whatever their background, wherever they live.

I will work with you, with the NGA, with all governors and all schools – to seek to make this shared ambition come true.

Thank you.

News story: Education Secretary issues call to arms for school governors

This comes as Damian Hinds has joined with the Institute of Directors to call on more than 30,000 leading British businesses to encourage their employees to lend their expertise and commitment in the running of schools and colleges.

There are around 250,000 experienced governors and trustees across the country – including many parents – selflessly providing their time, energy, and guidance to support schools to provide the very best education for children.

The Education Secretary will announce that the budget for training and support for this “army of volunteers” will be doubled to £6 million up to 2021 to ensure more school leaders have access to popular training courses that build on their existing skills and will help raise education standards even further.

He will also set out plans to bear down on Academy trusts that pay excessive salaries and hand out lucrative contracts to family and friends in a clampdown to make them more accountable for the money they spend. These announcements will build on the clear rules already in place to provide transparency over academy finances. The measures include:

- a requirement for academy accounts to detail staff earning over £100,000 and the percentage of teaching time those individuals undertake; and
- a requirement, from April, for all related party transactions to be declared to the Education and Skills Funding Agency and for academy trusts to seek approval for any transaction over £20,000.

Thanks to the hard work of teachers and the government’s reforms, there are now 1.9 million more children in good or outstanding schools than in 2010. Today’s commitments will raise the bar even further, strengthening the expertise within the systems that govern our schools and colleges.

Education Secretary Damian Hinds is expected to say:

How would we run our schools without this army of volunteers? I want to do everything I can to help boost governor recruitment and retention. Because, quite simply, we need more great people.

So today I’m issuing a call to arms...appealing to people up and down the country to take on this vital role – to play their part in helping the next generation to thrive.

I want to urge people from different backgrounds, different professions, to come forward – offer up your time, your energy, your skills, your expertise... I’m also making an appeal to the

nation's employers today.

Because of course to become a governor, people with full-time jobs will need their employer's support. I believe businesses can make a contribution to society here – and it's not just schools either. Governors of Further Education colleges are key to providing the skills and training businesses need, and will play a pivotal role delivering our new T Level qualifications.

That's why I'm writing to the 30,000 members of the Institute of Directors, urging them to encourage employees to take on this role, and give them the time it needs.

Stephen Martin, Director General of the Institute of Directors, said:

Good governance doesn't just apply to business, it is also crucial to the way we run our schools. Indeed many of the skills acquired in corporate directorship roles are directly transferable to the education sector. IoD members know this first-hand and many are already actively involved with the schools system, but there are so many more company directors who could be using their expertise and experience for the benefit of their local communities.

That's why the Institute of Directors and the Department for Education are today issuing a call to business leaders and their employees to become a school governor or academy trustees. This will help drive up standards and increase opportunities for our young people, and ultimately help tackle the skills gap and boost business productivity.

The role of a governor or trustee can involve developing a school strategy, making sure budgets are properly managed and holding headteachers to account for a school's performance.

These are important and respected roles in local communities and, according to the Institute of Directors, becoming a governor or academy trustee gives businesses first-hand involvement in their local community and provides valuable skills for employees. The Institute of Directors and some of Britain's leading businesses like Rolls Royce and Lloyds Banking Group already recognise the leadership development benefits that the role brings to their employees.

Many of Britain's leading businesses are represented on academy boards through the government-funded Academy Ambassadors scheme, which has introduced more than 950 business professionals from companies such as BT, HSBC, Northern Powergrid, PwC and Slaughter & May to governing board roles since its launch in 2013.

The joint letter from the Secretary of State and the Institute of Directors has been sent to IoD members and will look to build on these existing

relationships between schools and businesses.

To bear down on pay, in recent months Academies Minister Lord Agnew has been working with Eileen Milner, CEO of the Education and Skills Funding Agency, to challenge 117 academy trusts across the country paying a salary of more than £150,000 to ensure they are clear that pay must be justifiable and based on a transparent process.

Following a series of correspondence and meetings with these trusts, so far 18 have confirmed they no longer pay a salary over £150,000, and many more have indicated they will work to revise high salaries and prevent unjustified salary inflation in the future.

Education Secretary Damian Hinds will continue:

I want to make sure that every pound of public money for our schools is used in the best possible way for the good of our children and society. That means taking a tough approach...

This includes a new more robust process to manage related party transactions made by academy trusts. I think pretty much everyone would agree that a situation where board members could hand out unjustified contracts to companies that they or their friends and business associates have an interest in is not okay...

We also want to be clear about our expectations on high pay – which applies to all schools not just academies. There is no doubt that our school system has many great leaders – and for large and complex organisations, pay must reflect the scale of the task.

However, pay needs to be proportionate – and pay rises for non-teaching staff should not exceed that awarded to teaching staff. And where salaries aren't justifiable – we will say so.

These announcements come as the NGA launches its campaign 'Everyone on Board' to increase the diversity on school boards, with a particular focus on younger and BAME governors who are currently under-represented.

Emma Knights OBE, Chief Executive of the NGA said:

The call by the Secretary of State and Institute of Directors for employers to support their employees to govern schools is most welcome. Governing boards need skilled volunteers and a good mixture of perspectives and experience around the table in order to effectively support and challenge school leaders, making decisions in the interest of all pupils.

Being a school governor or trustee is very rewarding; while the pupils in our school will benefit from the time and expertise that committed volunteers can offer, employees will also learn and

develop.