

# UNIVERSITY OF ABERDEEN

## SEVERANCE POLICY

### 1 INTRODUCTION

- 1.1 From time to time the University at its discretion may offer a severance package to an employee upon termination of their employment. It is recognised that (i) in line with best practice and value for money principles, University funds should only be used in respect of meeting contractual obligations wherever possible and (ii) there is no contractual right or entitlement for employees to receive a severance payment.
- 1.2 However, circumstances may arise which result in severance arrangements being proposed that are not directly covered by existing contractual entitlements. In such circumstances, the employee will be required to sign a Settlement Agreement as part of the severance terms.
- 1.3 Severance payments shall only be made in accordance with the relevant (i) employment legislation, (ii) funding body guidance and (iii) approval process as outlined in Section 4.1 below. Professional advice will be obtained as necessary and, in addition as stated below (Section 3.7) external legal advice will always be sought when Remuneration Committee approval is required for severance arrangements.
- 1.4 This policy does not apply in normal circumstances to employment terminated through the Redundancy Policy where the appropriate consultation process must be adhered to.
- 1.5 This policy does not form part of any member of staff's contract of employment. It may be amended from time to time with the appropriate consultation with the recognised campus trades unions.

### 2 SCOPE

- 2.1 In this context, 'severance terms' means the terms and conditions under which a mutually agreed termination of employment is reached. These circumstances can arise in a range of situations, including those where a protected conversation has taken place.

### 3 GENERAL PRINCIPLES

- 3.1 The University should have regard to relevant guidance in determining any severance packages, including the SFC Financial Memorandum and the Scottish Code for Good Higher Education Governance (in particular sections 79 & 81) available here:

[http://www.sfc.ac.uk/web/FILES/Guidance\\_Governance/Financial\\_Memorandum\\_with\\_higher\\_education\\_institutions - 1 December 2014.pdf](http://www.sfc.ac.uk/web/FILES/Guidance_Governance/Financial_Memorandum_with_higher_education_institutions_-_1_December_2014.pdf)

<http://www.scottishuniversitygovernance.ac.uk/2017-code/>

- 3.2 Any proposal for a severance package should take into account contractual notice and statutory entitlements and any payments should be proportionate and have due regard to the appropriate use of University funds, in particular the value for money considerations set out in the SFC Financial Memorandum. In all cases, the full approval process (as outlined in Section 4.1 below) must be completed prior to any agreement being reached with the individual member of staff. In all cases the proposal will include a supporting business case and options appraisal documenting a value for money assessment. Where in addition to a severance package, the wider arrangements and support provided to the member of staff also include the provision of enhanced outplacement support (beyond the provision that is routinely in place), the cost of that will be included when reviewing the overall value of any severance arrangement.

- 3.3 The Maximum Threshold for severance agreed by Court is the lower of:
- 12 months salary; or
  - £100,000
- 3.4 Approval must be sought from the Remuneration Committee in the following circumstances:
- Any severance in excess of the Maximum Threshold;
  - in any case of severance for a member of the Senior Management Team (or a former member) whatever the amount; and/or
  - where there is considered to be a potential reputational risk to the University, where the severance is novel or potentially contentious.

In all other cases approval of the Remuneration Committee is not required.

The remit of the Remuneration Committee is available here: <https://www.abdn.ac.uk/staffnet/governance/remuneration-committee-635.php>.

Where a severance package exceeds the Maximum Threshold, consultation with the SFC's Accountable Officer must also be undertaken prior to approving the proposed severance package.

- 3.5 In considering a severance package for either the Principal or University Secretary, it is recognised that the dismissal of these postholders is, in line with the Scottish Code of Good HE Governance, considered to be a decision reserved to the full Court. Therefore, approval in relation to severance terms for the Principal or University Secretary must be sought from the full Court (on the recommendation of the Remuneration Committee).
- 3.6 For circumstances where the Remuneration Committee does not need to approve the severance package, each case will be considered on its merits at a senior level, normally by the Senior Vice-Principal or University Secretary in consultation with the Director of People (as outlined in Section 4.1 below), to ensure that the particular circumstances merit a severance payment being made. In no case should it be possible for a single member of staff to determine that a payment be made, nor for convener's action to be taken.
- 3.7 Negotiations on severance packages and payments will be informed, on both sides, by appropriate legal advice before decisions are taken. Where the proposed severance arrangements do not need Remuneration Committee approval, internal or external legal advice may be sought by the University. Where the proposed severance arrangements do need approval by the Remuneration Committee external legal advice will be sought by the University.
- 3.8 When a severance arises following poor performance on the part of an individual, any payment must be proportionate and there should be no perception that poor performance is being rewarded.
- 3.9 Final year salaries must not be inflated simply to enhance any severance arrangements or to enhance final pension benefits.
- 3.10 Notice of termination of appointments must not be delayed intentionally in order to generate entitlement to payments in lieu of notice.

#### **4 DEVELOPMENT AND APPROVAL OF SEVERANCE PACKAGES**

- 4.1 Where the University considers that a severance package might be appropriate, the following shall be responsible for progressing recommendations/negotiations (subject to the provisions at Sections 3.4 and 3.5 above):
- In the case of the Principal, the Senior Governor or their nominee (who will have discussed with the Director of People and sought approval from the Remuneration Committee);
  - In the case of the University Secretary, the Principal or their nominee (who will have discussed with the Senior Governor and Director of People and sought approval from the

- Remuneration Committee);
  - For members of the Senior Management Team, the Principal or their nominee (who will have discussed with the Senior Governor and Director of People and sought approval from the Remuneration Committee);
  - For staff employed at Professorial/Professional Grade 9 level, the Senior Vice Principal/University Secretary or their nominee (who will have discussed with the Principal and Director of People and sought approval from the Remuneration Committee);
  - For academic staff (below Grade 9), the Senior Vice-Principal or their nominee in discussion with the Principal and the Director of People where the package exceeds contractual entitlements; and
  - For Professional Services staff (below Grade 9), the University Secretary or their nominee in discussion with the Principal and the Director of People where the package exceeds contractual entitlements.
- 4.2 In all cases the approval process must consider the impact upon operational aspects of the University in the event of the sudden departure of an individual and take into consideration the requirements of the Scottish Funding Council (SFC) Financial Memorandum.
- 4.3 In line with Office of the Scottish Charity Regulator (OSCR) best practice guidance, whoever is approving the severance will be provided with access to all relevant information about the individual's terms and conditions of employment when considering a proposed severance agreement, the written assessment of value for money and details of any legal advice obtained in relation to the severance proposal. For the avoidance of doubt, in cases where the Remuneration Committee is required to approve the severance payment, all members of the Remuneration Committee will be provided with access to the same foregoing relevant information.
- 4.4 In all cases that require approval of the Remuneration Committee the University Secretary shall be responsible for providing advice to it (unless the matter relates to their own employment in which case the Director of People shall be responsible for providing that advice).

## **5 MONITORING AND GOVERNANCE**

- 5.1 Notwithstanding circumstances as detailed above where the approval of Remuneration Committee is required, the following information will be presented to the Remuneration Committee to ensure appropriate oversight of compensation packages paid to departing staff:
- For packages of up to the level of contractual entitlement the Committee will be advised at each meeting of the number of such packages;
  - For packages which exceed the level of contractual entitlement (but which do not require Remuneration Committee approval) the Committee will be advised at each meeting of the amount, the length of service, the salary and the reason why a package has been paid;
  - For cases where Remuneration Committee approval is required, the information in clauses 3.4 (regarding consultation with the SFC's Accountable Officer) and 4.3 above must be provided and full details of Remuneration Committee's decision must be recorded by the Committee.
  - The Committee will be provided annually with an anonymised report of the total number of severance payments made and amounts involved.
- 5.2 The Director of Finance will be informed of all severance payments and arrangements to ensure they are disclosed appropriately in the annual financial statements.

## **6 REVIEW BY INTERNAL AUDIT**

- 6.1 The University will ask its internal auditor to include as part of their strategic audit plan, a regular review of the operation of this policy and any associated systems for the determination and payment of severance settlements.

## **7 REVIEW BY EXTERNAL AUDIT**

- 7.1 The University must seek the view of its external auditor if it plans to make what it considers to

be any novel or potentially contentious severance payments, including those that exceed the Maximum Threshold.

- 7.2 The University's external auditor must review severance settlements as referenced in 7.1. Such a review will normally take place after settlements have been agreed (normally as part of their financial statements audit) and should be carried out by senior audit staff because of the complexity and sensitivity of the issues.
- 7.3 If final settlements do not materially conform to the terms of the Financial Memorandum, auditors must report the facts to the University in their management letter. The auditors should also recommend that the University informs the SFC immediately.

## **8. CONFIDENTIALITY**

- 8.1 All settlement agreements shall include appropriate confidentiality and no disparaging remarks clause(s). Any such clause(s) must not, however, prevent the individual concerned from exercising their public interest disclosure rights in accordance with the University's whistleblowing policy. Such clauses will not be deemed a 'gagging' clause.

## **9 RE-ENGAGEMENT**

- 9.1 Where an employee leaves the University under the terms of a settlement agreement, re-engagement or re-employment will only be considered in exceptional circumstances and must be approved by the Senior Vice-Principal or University Secretary and the Director of People. In the case of members of the Senior Management Team, approval must be sought from the Remuneration Committee on the recommendation of the Principal, following discussion with the Senior Governor.

## **10 REVIEW OF THIS POLICY**

- 10.1 This policy will be reviewed and approved by the Court every three years and updated to take account of any changes to relevant legislative, funding body or governance guidance as and when these occur.
- 10.2 The University Secretary will be responsible for ensuring that such a review is undertaken.

**Date Approved by Court: 18 December 2020**

**Review : December 2023**

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<b>Equality Impact Assessment</b>	2020
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