



Queen Margaret University

EDINBURGH

## Severance Payments Policy

Policy Summary:	The Severance Payments Policy provides guidance on Settlement Agreement and Severance payments to ensure that this is undertaken fairly and consistently across QMU in line with the SFC Financial Memorandum for HE institutions and the Scottish Code of Good HE Governance.
Policy Owner:	Human Resources
Approved By:	Executive Board: Senior Management Remuneration Committee University Court
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## Severance Payments Policy

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## **1 Background and scope**

Following consultation with Universities Scotland members, the Scottish Funding Council (SFC) issued a new Financial Memorandum for Higher Education institutions which came into force from 1 December 2014. The Financial Memorandum includes a section on severance payments including settlement agreements for all staff and requires each institution to have in place a clear policy on severance payments. The detailed requirements included in the Financial Memorandum are set out in Appendix A. This policy sets out the arrangements which the University has put in place to ensure compliance with the Financial Memorandum requirements. For the purposes of interpretation of this policy, the Financial Memorandum requirements (as amended from time to time by the Scottish Funding Council) are therefore deemed to be incorporated as an integral part of the policy.

The University is also expected to comply with the Main Principles of Scottish Code of Good Higher Education Governance and to observe its Guidelines. The Code, which came into force on 1 August 2013, sets out at Main Principle 15 a number of requirements in terms of remuneration, including, where appropriate, severance payments.

This policy has been developed in order to meet both of the requirements set out above. Those individuals identified within this policy as approving any such payments will be governed by the standards of personal conduct set out by the Committee on Standards in Public Life (the Nolan Principles).

This policy outlines the evaluation processes and associated delegated authorities in respect of the consideration and approval of any severance payments considered by the University. For the purposes of this policy, severance payments include any payments in relation to securing efficiencies in the University, for example through the operation of a Voluntary Severance (VS) Scheme, the payment of settlement agreements outwith a VS Scheme, or any compulsory redundancy payments arising in line with the Redundancy and Redeployment protocol.

## **2 Approval arrangements - members of staff other than members of the Executive Board**

- 2.1 Requests for severance payments may arise from a variety of sources. All such requests are considered by the Senior Management Team (SMT). To ensure equity and consistency, cognisance will be taken of the total savings that will be secured, the cost incurred, and the financial payback period associated with the severance payment.
- 2.2 Severance packages will be considered by the Senior Management Team, advised as appropriate by members of the Executive Board. Where the total cost of the proposed severance package is less than £100,000 and where the gross annual salary of the member of staff is lower than £70,000, authority to approve the severance package may be exercised by the Principal. The calculation of the cost of a severance package will include the amount of any strain cost or similar to be funded by the University as well as any payment in lieu of notice.
- 2.3 Where the total cost of the proposed severance package is greater than or equal to £100,000, or where the gross annual salary of the member of staff is equal to or exceeds £70,000, the Principal will make a recommendation to the Senior Management Remuneration Committee (SMRC), which will take the decision as to

whether or not to approve the proposal. All such decisions will be recorded formally by the Committee.

- 2.4 Where a severance package exceeds **the maximum threshold agreed by the University Court**, the Chair of the Senior Management Remuneration Committee shall consult with the SFC's Accountable Officer prior to the SMRC approving the proposed severance package. Any such decisions shall also be notified to the University's External Auditor.

### **3 Approval arrangements - members of the Executive Board**

- 3.1 To ensure equity and consistency, cognisance will be taken of the total savings that will be secured, the cost incurred, and the financial payback period associated with the severance.
- 3.2 Severance packages for members of the Executive Board may only be approved by the Senior Management Remuneration Committee. Where a severance package exceeds **the maximum threshold agreed by the University Court**, the Chair of the Senior Management Remuneration Committee shall consult with the SFC's Accountable Officer prior to the SMRC approving the proposed severance package. Any such decisions shall also be notified to the University's External Auditor.

### **4 Scottish Funding Council reporting requirements**

- 4.1 In line with the SFC's "Guidance on severance payments in respect of senior staff in Scottish Higher Education Institutions", details of any individuals who leave the University through a severance arrangement whose gross annual salary is equal to or exceeds £70,000, or where the total cost of the severance package is greater than or equal to £100,000, must be noted in the financial statements.
- 4.2 It is a requirement for the external auditor to review all severance settlements and if final settlements do not materially conform to the terms of the Financial Memorandum, the auditor must report the facts to the institution in their management letter, and inform members of the University Court. The auditor will also recommend that the institution informs the SFC immediately.

Human Resources  
August 2015

## Appendix A

### Extract from Financial Memorandum effective from 1 December 2014

#### Severance payments

29. The institution must adhere to the following principles when taking decisions about severance payments, including settlement agreements:

- The actions of those taking decisions about severance payments, and those potentially in receipt of such payments, must be governed by the standards of personal conduct set out by the Committee on Standards in Public Life (the Nolan Principles)
- The governing body must take account of SFC's expectation of the institution in this FM regarding the use of public funds

30. Based on the principles above, the following requirements must be met:

- The institution must have in place a clear policy on severance payments
- Severance packages must be consistent with the institution's policy and take into account contractual entitlements, for example, salary and period of notice, and any applicable statutory employment entitlements. This means that, when entering into employment contracts, care must be taken not to expose the institution to excessive potential liabilities
- The institution's policy must include a formal statement of the types of severance arrangements that should be approved by the Remuneration Committee or equivalent and approved formally by the governing body. These must include any severance package that is proposed for a member of the senior management team, in recognition of the particular level of accountability that is attached to senior management positions, and also any severance package that would exceed a maximum threshold agreed by the governing body
- Where a severance package exceeds the maximum threshold agreed by the governing body, the institution must consult with SFC's Accountable Officer prior to approving the proposed severance package
- The remuneration committee or equivalent, when overseeing and approving severance arrangements for staff, must ensure that all decisions are recorded
- Negotiations about severance packages and payments must be informed, on both sides, by legal advice where appropriate
- 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
- Final year salaries must not be inflated simply to boost pension benefits
- Notice of termination of appointments must not be delayed in order to generate entitlement to payments in lieu of notice

31. The institution must ensure its internal auditor includes a regular review of systems for the determination and payment of severance settlements in their strategic audit plan.

32. The institution 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 agreed by the governing body.

33. The institution's external auditor must review severance settlements. 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. If final settlements do not materially conform to the terms of this FM, auditors must report the facts to the institution in their management letter, and inform members of the governing body. The auditors should also recommend that the institution informs the SFC immediately.

34. Where there are settlement agreements, and it is felt that a confidentiality clause is necessary, this must not prevent the public interest being served and must be consistent with the institution's whistleblowing policy.