

STAFF SEVERANCE POLICY

1. Introduction

This policy supports the requirement that Newbattle Abbey College (NAC) operates in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) in relation to severance schemes and settlement agreements. These requirements are a term and condition of funding from the SFC with which the College must comply. The policy also adheres to the principles contained in SFC's *Guidance on seeking approval for severance schemes and settlement agreements*.

As a non-incorporated college, NAC does not require approval from SFC for severance schemes and settlement agreements

This policy provides guidance and detail around the requirements of the SFC Financial Memorandum and the principles of the SFC Guidance.

2. Scope

This policy applies to all employees of the College.

The policy covers all severance schemes and severance payments made under the categories of early severance or retirement, redundancy or settlement agreements, including those proposed for the Principal or a member of the senior management team.

3. Related policies and documents

- Redundancy Policy
- Disciplinary Policy and Procedure
- SFC Financial memorandum with fundable bodies in the college sector
- SFC guidance on seeking approval for severance schemes and settlement agreements

4. Responsibilities

The Board of Directors is responsible for approving this policy and overseeing compliance with it.

Where the severance relates to staff other than the Principal or members of the Senior Management Team, the Principal and Senior Management Team are responsible for the implementation of this policy.

Where the severance relates to a senior manager other than the Principal, the Principal is responsible for the implementation of this policy.

Where the severance relates to the Principal, the Board of Directors is responsible for the implementation of this policy.

5. Requirements under the SFC Financial Memorandum with Colleges

- With regard to severance payments, the College and its staff must adhere to the standards of personal conduct set out by the Committee on Standards in Public Life (the Nolan Principles).
- The Board of Directors must take account of SFC's expectation regarding the use of public funds as laid out in the Financial Memorandum.
- Severance packages must be consistent with this policy and take into account contractual entitlements, for example, salary and period of notice, and any applicable statutory employment entitlements.
- The college must ensure its internal auditor includes a regular review of systems for the determination and payment of severance settlements in their strategic audit plan.
- The college 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 any maximum threshold agreed by the Board of Directors.
- The college's external auditor must review severance settlements, normally as part of their financial statements audit.
- Where there are settlement agreements, and it is felt that a confidentiality clause is necessary, this must not prevent the public interest being served.

6. Governance

In considering any severance arrangement, the College must ensure that issues of regularity, propriety and value for money are fully taken into account. In doing so it is important that College policy is applied in a timely manner, including:

- Ensuring a business case, including justification and full expected cost, is prepared;
- Decisions are made and approved in accordance with College delegation procedures;
- Decisions are fully documented and a clear audit trail of evidence supporting the decision is retained; and
- There is clear evidence of governance oversight.

The Remuneration Committee must undertake robust scrutiny of proposed severance schemes and settlement agreements and, if appropriate, thresholds before recommending approval to the Board and must ensure there is no conflict of interest between those involved in approving severance arrangements and individual beneficiaries of such arrangements.

7. Key Principles

When considering any severance, the College must ensure that the following principles are observed:

- Public funds must not be used wastefully or to underwrite inequitable or over-generous conditions of service, including severance;
- Decisions on severance arrangements and, in particular, limits on payments will be based on the conditions set in the SFC guidance;
- Notice of termination of appointments must not be delayed in order to generate compensation payments in lieu of notice;
- Where appropriate, ex-gratia severance or redundancy packages must be based on the arrangements set out within relevant extant terms and conditions of employment. In particular, prior consideration should be given to the availability of pension and compensation benefits within these conditions;
- Special payments must be transparent and negotiated in a way which avoids conflicts of interest;
- Offers of subsequent employment or consultancy work must be exceptional and only made where they represent value for money; and
- Any undertakings about confidentiality must leave transactions open to proper public scrutiny.

8. Management Process

- The Principal will submit a business case for the approval of a severance scheme or settlement agreement to the Remuneration Committee and/or Board of Management.
- Following Board of Management approval, the Principal will inform SFC.
- Where the severance relates to the Principal, the business case will be developed by the Chair of the Board with support from the Board Secretary, decisions will be taken and approved by the Board of Directors and the Chair of the Board will inform SFC.
- If the College is considering compulsory redundancies, the senior management team will manage the process, informing and consulting with appropriate employees, recognised Trade Unions, the Remuneration Committee, Board of Management and the SFC as early as possible.

9. Payroll Procedure

- The Director of Operations will ensure that the documentation is reviewed and is in line with the SFC guidance and has the appropriate approval from the Board of Management.
- Payments will then be processed and made in accordance to agreed payment dates.

10. Related Policies

- Redundancy Policy

This Policy should be read in conjunction with other relevant College policies, procedures and guidance documents, whether specifically listed above or subsequently published or amended.

The College reserves the right to update, introduce, or revise policies and procedures from time to time. Compliance with the most current versions of applicable policies and procedures, as published, is expected.

Title:	Staff Severance Policy
Lead Officer:	Director of Operations
Date last reviewed:	May 2026
Next review date:	May 2029
Approved by:	Finance & Resource Committee
Date first approved:	May 2023

