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For the future you want

# Severance Schemes and Settlement Arrangements

## Policy & Procedure



Finance & Procurement

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## 1. INTRODUCTION

This policy and procedure supports the requirement that Edinburgh College operates in accordance with the Scottish Public Finance Manual (SPFM) in relation to severance schemes and settlement agreements. These requirements are a term and condition of funding from the Scottish Funding Council (SFC) with which the College must comply.

The College must obtain prior approval from SFC for all new severance schemes, changes to existing schemes and all settlement agreements. The Scottish Funding Council Financial Memorandum (SFCFM) sets out a series of key requirements for severance payments to be processed.

This policy and procedure provides guidance and additional detail around the approvals which are required.

## 2. PURPOSE AND AIMS

This policy and procedure forms part of a number of measures to enable the College to create a workforce appropriate to the demand for current and future work and service requirements.

## 3. SCOPE

This policy and procedure applies to all staff and shall comply with current and future legislation.

The scope of this guidance covers all severance schemes and severance payments made under the categories of early severance or retirement, redundancy or settlement agreements.

## 4. RESPONSIBILITIES

The Chief Operating Officer is responsible for the operation, monitoring, application and review of this policy and procedure. Quality approval is the responsibility of the Executive team.

The Head of Human Resources and Organisational Development and the Head of Finance are responsible for ensuring that HR and Finance teams are aware of their responsibilities under this policy and procedure.

## 5. REQUIREMENTS UNDER THE SCOTTISH PUBLIC FINANCIAL MANUAL (SPFM)

The College must seek prior approval from SFC for:

- Any new severance scheme;
- Any change to a previously approved scheme;
- Any payment, forming part of any scheme, considered to be sensitive or high profile;
- Any use of Settlement Agreements; and
- Any payment to an individual in excess of contractual entitlement outwith an approved voluntary severance scheme.

## 6. GOVERNANCE

In considering any severance, 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 and procedure 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 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 SPFM and 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. PROCEDURES FOR APPROVAL BY SFC

The procedures for approval depend on whether the application is:

- A voluntary severance scheme, or
- Settlement agreement or proposal to secure a voluntary resignation.

Detail of the procedures and assessment by SFC is set out in the below guidance:

[SFC guidance on seeking approval for severance schemes and settlement agreements.pdf](#)

The guidance includes templates for submitting business cases.

Failure to adhere to the SPFM requirements constitutes non-compliance with the Financial Memorandum with SFC.

## 9. MANAGEMENT PROCESS

- The Head of HR and OD and the Head of Finance will manage the process for submitting a business case for the approval of a severance scheme or settlement agreement to the Executive team, Remuneration Committee and Board of Management.
- Following Board of Management approval, the Chief Operating Officer (COO) will seek approval from the SFC.
- Following SFC approval, HR will then forward the approved documentation to Payroll.
- If the College was considering compulsory redundancies, the Executive team would manage the process, consulting with appropriate employees, recognised Trade Unions, the Remuneration Committee, Board of Management and the SFC as early

as possible.

## 10. PAYROLL PROCEDURE

- The Head of Finance 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 and the SFC).
- Payments will then be processed and made in accordance to agreed payment dates.

## 11. EFFECTIVE DATE

This policy and procedure became effective from 7th January 2020, as agreed by:

Signed  .....Date .....07/01/2020.....

Alan Williamson, Chief Operating Officer (For and on behalf of college management)