UNIVERSITY OF DUNDEE
SEVERANCE POLICY

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1. Background
The University is required to comply with the Scottish Funding Council’s Financial Memorandum with Higher Education (2014) which states that the University must have a Severance Policy. This policy is produced in response to that requirement.

2. Introduction
Severance can describe a variety of termination arrangements related to the contract and relationship between an employer and an employee.

For the purposes of this policy, the focus will be on:

- Voluntary Severance (VS)
- Mutually agreed severance
  - In the case of dispute
  - Instigated by Protected Conversation where there is no dispute.

3. Severance Policy
The University of Dundee is committed to maintaining, as far as possible, security of employment for its employees.

However, there may be occasions when external or internal factors impact on the type or number of employees required and the University may have recourse to VS.
There may also be cases where both the University and the individual employee are in mutual agreement that it would be beneficial for the employment relationship to be ended.

For the avoidance of doubt, if any payment is outwith the University’s standard contractual terms and obligations and may be perceived as a severance payment it must be subject to the terms of this Policy.

4. Aims of the Severance Policy

The Severance Policy aims to ensure that all employees will be treated fairly and the process applied is transparent, objective, rational and fully understood.

The policy provides an operating framework, which will ensure that the University does not use its funds (which include public funds) wastefully by making over-generous severance arrangements.

It aims to set out the University’s approach to the use of severance, which is appropriate, consistent with good practice, transparent, fair, defensible and represents value for money when balanced against alternative courses of action.

5. Scope

This policy applies to all employees of the University. It should be noted, however, that there may be financial, resource and/or other imperatives at any particular time, which means that VS and/or mutually agreed severance may require to be varied. Nevertheless, the University’s aims and principles set out in this policy will apply as far as is practical and appropriate.

6. The Principles of Fairness, Equity, Consistency and Transparency

Fairness of treatment amongst employees is central to the University’s core values of Integrity and Valuing People and is an essential requirement when considering severance for individuals.

The principle of equity will be applied to ensure that no employee will be disadvantaged due to any protected characteristic: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion and belief; sex or sexual orientation.

Particular attention should be paid to ensuring that no additional benefits or enhancements (financially or otherwise) are extended to employees who have either meritorious records or employees where the University is eager to terminate the employment relationship.

Such circumstances can result in unintended bias and could result in, for example, direct or indirect age discrimination. Any departure from this framework for severance payments/benefits must be shown to be objectively justified by demonstrating that the action taken is a proportionate means of achieving a legitimate aim for the University.

This policy recognises the entitlement of the employee to exercise their statutory rights.

7. Voluntary Severance (VS)

From time to time, the University may seek expressions of interest in VS in order to reduce employee numbers and/or to reshape the workforce either across the University or in specific areas of the University for the purpose of corporate development, efficiencies and financial sustainability.

The University will utilise VS when it considers it appropriate, for a specified period. It does not operate an open-ended VS scheme for which employees may ask to be considered. On each occasion where there is a need for employee reductions and/or to reshape resources, the University will consult with the campus unions and consider VS as an option. The financial position of the University will determine whether or not VS is viable.
No eligibility restrictions will apply on the basis of length of service.

The right will be reserved to decline applications for VS where they are not in the University's interest or where a severance date cannot be mutually agreed.

The cost saving that must accrue to the University and the recovery period of the cost of VS payments for the Scheme will be determined in advance of VS being launched. A maximum period of 2 years is allowed to recoup the cost of VS but the duration may be shorter.

Whilst the VS payment offered may be considerably lower, the total VS payment should not exceed one year’s salary with a maximum ceiling of £100,000 (see section 13 – Governance). Salary will be calculated only on contractual salary components, awarded by the University. Due to the circumstances of the severance, the employee will benefit from the first £30,000 being tax-free. This is subject to change in employment legislation and HMRC guidelines.

VS will be executed by means of a legally binding Settlement Agreement,

The University will offer a contribution to the individual’s solicitor’s fees to ensure the employee obtains independent legal advice. The contribution will be reviewed periodically and announced when launching a VS scheme.

There is no general right of appeal against any refusal to grant a VS application. Where an employee considers that their request has not followed policy or has been dealt with unfairly, they will be entitled to follow the Grievance Procedure.

8. Mutually agreed severance

Situations can arise where both parties (employer and employee) agree that to continue the employment relationship would be unproductive. In such circumstances, a formal Settlement Agreement may be negotiated.

The University’s offer should be reasonable, bearing in mind the responsibility the University negotiator has for the University’s (including public) funds and should not exceed any maximum settlement amount outlined in the Policy or agreed by the Remuneration Committee.

The Settlement Agreement will specify the negotiated sum of money paid to the employee by the University, normally based on the notice period payment, but will take account of circumstances and risk.

Salary will be calculated only on contractual salary components, awarded by the University and generally, the practice is to agree a global figure. Due to the circumstances of the severance, under current legislation, the employee will benefit from the first £30,000 being tax-free. This is subject to change in employment legislation and HMRC guidelines.

Mutually agreed severance will be executed by means of a legally binding Settlement Agreement.

The University will offer a contribution to the individual’s solicitor’s fees to ensure the employee obtains independent legal advice. The contribution will be reviewed periodically and the amount detailed in the Settlement Agreement.

9. Replacement of Posts

Typically, no replacement will be made and the post will be deleted from the School’s or Directorate’s establishment and budget. If a replacement or reconfigured role is required this must be requested at the time of the application for approval of the settlement agreement.
10. Pension

Any pension to which the employee is entitled will not be augmented by the University. It will only be enhanced if the individual elects to direct part of their Settlement Agreement payment to supplementing their pension. This is matter between the individual and their pension scheme.

11. Re-employment or Re-engagement with the University

The Settlement Agreement states that individuals in receipt of a settlement payment will not be considered for re-employment or re-engagement, including on a consultancy basis, for a period of 12 months from the Termination Date otherwise they must immediately reimburse 75% of the settlement payment.

It is acknowledged, however, that there may be circumstances where it is in the University’s interest, having made a settlement payment in order to reduce high recurring salary costs, to re-engage the individual on a very part-time basis, and at a considerably lower rate in order to take advantage of an aspect of their specialist knowledge.

Should such exceptional circumstances arise approval will be required from UEG.

12. Approval Process

In considering cases of VS and mutually agreed settlements for approval, the University Executive Group (UEG) must have regard to legal and regulatory compliance, propriety and value for money as well as employee relations.

All cases must be approved in advance by UEG and reported annually to the Remuneration Committee.

Where payments exceed £100k or relate to members of the UEG other than the Principal the Remuneration Committee must approve the payment in advance. All UEG level settlement agreements must be reported to the next available Court meeting with a statement of assurance that the settlement is consistent with all governance, management and HR processes.

With regard to the Principal, the Court shall be required to approve severance terms on the recommendation of the Remuneration Committee

All decisions must be recorded (Appendix 1 - Application for Approval of Settlement Agreements Form).

Justification, including financial justification and Value for Money (VfM) in terms of the Financial Memorandum with the SFC, will be provided to UEG as set out below. Where the case relates to a member of the University Executive Group or exceeds £100k this information shall be provided to the Remuneration Committee

Application for Approval of Settlement Agreements Form

The form will contain:

1. An explanation of the circumstances of the case, which must include a statement setting out the alternative proposals or options that were considered.
2. An assessment of the risk assessment undertaken together with details of any risk of potential litigation and likely outcome.
3. Confirmation that the relevant compliance, management and Human Resources procedures have been followed to date.
4. Proposed settlement including a breakdown of the constituent parts of the proposal, if relevant and proposed termination date.
5. An assessment of value for money offered by the proposal.

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6. Any non-financial considerations.
7. Clarification in relation to the need or otherwise to replace the post-holder.

Settlements Relating to Members of UEG – including the Principal

1. For members of UEG, excluding the Principal, the Application for Approval of Settlement Agreements Form must be completed by the Principal.
2. For any settlement relating to the Principal, the Application for Approval of Settlement Agreements Form must be completed by the Chair of Court.
3. Any such applications relating to the Principal will be considered by the Remuneration Committee, which will make a recommendation to the Court.
4. Any such applications relating to other UEG members will be considered and approved by the Remuneration Committee and its decision reported to the Court at its next meeting.

13. Governance

The Role of the Remuneration Committee and Court

The Remuneration Committee's role is to ensure the existence of a University Severance Policy, which must be approved by Court.

From time-to-time, the Remuneration Committee will review the Severance Policy to ensure fitness for purpose.

The Remuneration Committee must approve, in advance, any severance payment which:

- Exceeds a threshold sum, as defined by Court (£100,000).
- Deviates from the standard severance terms approved by Court
  Applies to a member of UEG.

Where the severance package exceeds the maximum threshold agreed by Court, consultation with the SFC’s Accountable Officer and external auditor requires to have taken place prior to the approval of the proposed severance package.

The Remuneration must recommend to the Court, in advance, any severance payment in relation to the Principal & Vice-Chancellor

In considering these matters, the Remuneration Committee must represent the public interest to ensure value for money and avoid any inappropriate use of public funds. Care should be taken not to approve a severance package which employees, students and the public might reasonably deem excessive.

14. Reporting

Equality Impact Assessment (EIA)

For the severance arrangements covered by this policy, the Director of Human Resources & Organisational Development (HR & OD) will produce an EIA analysis of the following statistical data:

Throughout the lifecycle of a VS scheme:

- the number of potential employees eligible to apply for VS.
- the number of VS applicants.
- those VS applications which have been accepted and declined.

Annually, the Director of HR & OD will also produce:

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• the number and categories of employees who have received mutually agreed severance.

Particular attention will be paid to inconsistencies relating to protected characteristics in either groups.

In addition the Director of Human Resources & Organisational Development will produce a final analysis and report detailing the outcomes of VS and mutually agreed severance together with any learning points that can be used to review and revise this policy as necessary.

Remuneration Committee Reporting

The Director of HR & OD will produce a report, annually in October/November, for the Remuneration Committee.

For the previous 12 months, the report will provide a synopsis of (if applicable):

• The number of VS cases granted and declined; cost savings
• Details regarding those cases approved by UEG Anonymised circumstances and rationale for extending mutually agreed severance agreements including:
  o The total amount of the severance (including all emoluments and benefits) in each case.
  o Details of the risk assessment undertaken, together with the risk of potential litigation.
  o Benchmarking data used.
  o Confirmation of compliance with governance, management and HR processes.

The Remuneration Committee will make its annual report to Court in December.

The Remuneration Committee should report any UEG level settlement agreement immediately to the next available meeting of Court.

15. Confidentiality

Any undertakings in relation to confidentiality should allow the transactions to be open to proper public scrutiny and in line with the University’s Public Interest Disclosure (Whistleblowing) Policy.

16. Poor performance

VS or a mutually agreed settlement must not be used as a means of removing poor performers from the workforce. Poor performance should be addressed through use of the Capability Procedure and there should be no perception that poor performance is being rewarded.

17. Personal Considerations

The University’s ethic of Valuing People must be explicitly demonstrated when an individual’s employment is being terminated.

It is essential that the communication flow between the manager/official dealing with VS or a mutually agreed severance arrangement is excellent at each stage of the process.

The employee’s contribution and service should be recognised and honoured within the School or Directorate and more widely in the University where appropriate. It is acknowledged that in cases of mutually agreed severance, the relationship may be tense or difficult which makes this challenging.

In all cases, any announcement should be discussed and the content agreed with the individual.
Prior to the leaving date, it may also be appropriate to discuss the gist or text of a reference that will be given in the event of a request from a prospective employer.

18. Delegated Authority

Court has delegated authority to the Remuneration Committee for recommending a policy to Court on senior employee severance that sets out general principles regarding all severance packages.

Approved by the University Court, June 2019

Other related information can be found at:

http://www.dundee.ac.uk/hr/policiesprocedures/redundancyavoidanceagreement/
http://www.dundee.ac.uk/hr/policiesprocedures/redundancypolicy/
UNIVERSITY OF DUNDEE
APPLICATION FOR APPROVAL OF SETTLEMENT AGREEMENTS

Name of Employee:  Job Title:
School/Directorate:  Date of Application:

Notes on Approval Process:
The University Executive Group (UEG) must approve all applications for approval of mutually agreed settlement agreements including Voluntary Severance.

a. **UEG** must approve all Settlement Agreements up to and including one year’s salary with a maximum ceiling of £100,000 (as approved by Court).

b. **The Remuneration Committee** must approve, in advance:
   • All applications which are higher than the sum approved by Court (see a. above).
     ○ Where the settlement sum is higher than the threshold approved by Court, the University must first consult with the SFC’s Accountable Officer and the external auditor and report the discussions to the Remuneration Committee.

c. In the case of any settlement relating to a member of UEG, excluding the Principal & Vice-Chancellor, this form must be completed by the Principal & Vice-Chancellor, approved by Remuneration Committee and reported to the next available meeting of the Court.

d. In the case of any settlement relating to the Principal & Vice-Chancellor, this form must be completed by the Chair of Court and considered by the Remuneration Committee, which will make a recommendation to the Court for approval.

1. Details of the circumstances of the case and a statement setting out the proposals and alternative options considered (attach Voluntary Severance application if relevant):

2. Assessment of risk undertaken together with the risk of potential litigation and likely outcome *(following discussion with HR Officer)*. Not required in cases of Voluntary Severance:

3. Confirmation that the relevant compliance, management and Human Resources procedures have been followed to date:

4. Proposed Settlement including a breakdown of the constituent parts of the proposal, if relevant and proposed Termination Date:

5. Assessment of value for money offered by the proposal. If Voluntary Severance, detail the period over which the savings will be recouped.

6. Any non-financial considerations:

7. Clarification in relation to the need or otherwise to replace the post-holder:

Signature of Dean or Director:  Date:
Signature of Vice-Principal (Provost) or University Secretary:  Date:

Approved by Court – June 2020