

Our ref: 2539913091

18 Feb 2020

Professor George Boyne  
Principal and Vice-Chancellor  
University of Aberdeen  
King's College  
Aberdeen AB24 3FX

Dear Professor Boyne,

### **Payment to the former Principal of the University of Aberdeen**

I enclose the Scottish Funding Council's (SFC's) final report on our review of payments made to the former Principal, Professor Sir Ian Diamond, in relation to his departure from the University in 2018.

The review was prompted by the statement on page 79 of the 2017-18 financial statements. That statement was inconsistent with our understanding of the announcements made at the time of the Principal's departure. We wrote to you in January last year with some initial queries. Following our review of the response and other information available to us we decided to initiate a formal review in order to gain a fuller understanding of the decisions and processes which were taken, and to establish the degree of compliance with SFC's requirements as detailed in the Financial Memorandum and in the Scottish Code of Good Governance in Higher Education.

Our review concludes that there were several breaches of these requirements:

1. The University approved a settlement agreement with the former Principal without a documented assessment of value for money and it could have identified better-value options.
2. While the main "heads of terms" for the settlement agreement were approved by the University's Remuneration Committee, there were flaws in the conduct of that

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Committee and the University Court did not receive sufficient information to be assured of due process or to protect the University's interests.

3. The University's Remuneration Committee was not provided with specific written advice about its value for money responsibilities.
4. The University did not fully consider or meet the requirements of our Financial Memorandum in relation to severance payments.
5. The payments made under the settlement agreement were properly disclosed in the 2017-18 Financial Statements, but in our view an additional payment of £60,000 for "outplacement support" should also have been disclosed.
6. The University could not provide evidence that proper authorisation procedures had been followed in securing this outplacement support.

At its meeting on 30 January 2020 the SFC Board considered the report and agreed that the failings of governance were of sufficient significance to merit the following actions in addition to the issue of this letter:

1. SFC requires the University to undertake an externally-facilitated review of its governance procedures and culture. It will provide assurance to SFC about the actions and outcomes resulting from its review.
2. SFC requires repayment of grant in the sum of £119,000, which represents an appropriate proportion of the payments examined in the review.

In relation to the second action above, SFC has limited the size of the financial repayment to the proportion of income granted by SFC to the University. However, the governance failures relate to the University as a whole and were not necessarily limited to activities specifically funded by SFC. For this reason the University may itself wish to consider paying a larger amount to SFC or donating a relevant amount to a learning-related activity.

I look forward to receiving your response.

Yours sincerely,



**Karen Watt**  
Chief Executive