

Senior Staff Remuneration: Guidance

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1. Introduction

- 1.1 The University is committed to ensuring the highest standards of accountability and transparency having due regard to its fiduciary responsibility and financial probity within the context of public funds.
- 1.2 The University recognises a fair and appropriate remuneration framework with accompanying guidance is necessary to maintain parity of remuneration decisions affecting the Vice-Chancellor and other senior post holders.
- 1.3 This guidance has been developed to support the Remuneration Committee in determining the remuneration of senior staff.
- 1.4 It is recognised that fair and appropriate remuneration for senior staff needs to be sufficient to recruit, retain and motivate staff of appropriate calibre in the context of the market for that role, balanced with the need to demonstrate the achievement of value for money in the use of financial resources.
- 1.5 Remuneration is defined as all elements of the reward package for a senior post holder which may vary over time including: salary, allowances (for example acting up allowances), honoraria, benefits, pension related payments/contributions, incentives and any other reward related payments.

2. Scope

- 2.1 This guidance in respect of senior staff remuneration applies to those senior posts within the terms of reference of reference of the Remuneration Committee (as amended from time to time).
- 2.2 This guidance also applies to any severance payments for those posts in 2.1.

3. Principles

- 3.1 In considering the remuneration and reward packages of senior staff, London Metropolitan University (LMU) follows the guidance and principles set out in The Higher Education Senior Staff Remuneration Code (November 2021)

LMU's three key principles in ensuring fair and appropriate remuneration for senior staff are:

3.1.1 A fair, appropriate and justifiable level of remuneration

Remuneration starts with a clear understanding of the responsibilities, context and expected contribution of a role and the attributes required to undertake that role effectively.

Fair and appropriate remuneration then recognises an individual's contribution

to LMU's success in that role, and is sufficient to recruit, retain and motivate staff of appropriate calibre in the context of the market for that role, balanced with the need to demonstrate the achievement of value for money in the use of resources.

In determining remuneration for senior staff, the Remuneration Committee will consider factors relating to equality and diversity, with a view to ensuring that there are no unlawful biases pertaining to gender or other protected characteristics within the pay structure.

The Remuneration Committee will be provided with data in respect of the relationship of the head of Institution's pay to the median LMU workforce pay as well as any approved outcomes of any national pay negotiations affecting pay for staff below senior level.

The Remuneration Committee will be provided with market data including from the Universities and Colleges Employers' Association (UCEA) and any other relevant benchmarking surveys for the consideration of senior pay for example in terms of median pay levels.

3.1.2 Procedural fairness

Procedural fairness requires the remuneration of senior staff to be determined by the Remuneration Committee in accordance with these guidelines including "The Higher Education Senior Staff Remuneration Code" (see Appendix A).

This process is based the Remuneration Committee applying a consistent framework with independent decision making using appropriate evidence and assessing the value of senior roles, the context and individuals' performance in them. In particular, the following guiding principles of the CUC Code should be observed:

- a) No individual can be involved in deciding their own remuneration.
- b) The Vice-Chancellor & Chief Executive must not be a member of the Remuneration Committee.
- c) The Remuneration Committee, when considering the remuneration of the Vice-Chancellor & Chief Executive, must be chaired by a lay governor who is not Chair of LMU's governing body.

3.1.3 Transparency and accountability

As set out in the CUC Code, for LMU's senior post holders there must be an institutional level justification for remuneration that relates to the competitive environment, the value of the roles and institutional performance. This process for setting remuneration must be open and transparent.

The remuneration of the University's Vice Chancellor & Chief Executive must be separately justified, published and related to the remuneration of all staff within the organisation.

The Remuneration Committee must also produce an annual report for LMU's governing body.

The following information will be produced in the annual report to the governing body:

- a) a list of post holders within the remit of the Remuneration Committee;
- b) membership of the Remuneration Committee
- c) LMU's policy on the remuneration for post holders within the remit of Remuneration Committee;
- d) the choice of comparator institutions/organisations;
- e) the policy on income derived from external activities;
- f) the pay multiple of the Vice-Chancellor & Chief Executive and the median earnings of LMU's whole workforce, illustrating how that multiple has changed over time and, if it is significantly above average, an explanation of why; and
- g) an explanation of any significant changes.

4. Remuneration Criteria

4.1 Remuneration is linked to the value delivered by the individual appointed to the senior post. In assessing the value of senior post, the Remuneration Committee may consider a number of components and criteria including:

- complexity (scale and range of decision making, collaboration and contact, time-critical activity);
- impact (on students, research, finances and people, including employees, partners and citizens);
- discretion (level of accountability, degree of autonomy and decision-making authority);
- levels of experience;
- knowledge and skills (including specialist skills) required;
- reputation and academic/professional credibility needed for the post;
- an ability to recruit and retain key staff; and

- external comparisons.

5. Underperformance

- 5.1 The Remuneration Committee also considers the appropriate remuneration in cases where a senior post holder is not reaching the required level of performance and the reasons for the underperformance, for example, long term sickness absence. Consequences for individuals will depend on the reasons for the underperformance, nature of the remuneration package offered, but might mean no uplift of basic pay, no participation in bonus payments, or some form of performance management in accordance with University policy.

6. Severance Payments

- 6.1 The Remuneration Committee will continue to follow the “CUC Guidance on Decisions Taken about Severance Payments in HEIs” which remains unchanged since this guidance was first approved (see Appendix B) when determining or approving any severance payments for the Vice-Chancellor and senior staff.

7. Review

- 7.1 This guidance will continue to be reviewed periodically to ensure it remains appropriate in the context of the sector, changes in government policy and related government or regulatory guidance. It will also be updated to reflect changes in good practice concerning senior remuneration and severance arrangements.

Appendix A

The Higher Education Senior Staff Remuneration Code, Committee of University Chairs, November 2021

The Higher Education Senior Staff Remuneration Code

November 2021

Introduction

1. Fair and appropriate remuneration is key to the success and development of the UK's HE sector, operating as it does in an intensively competitive global environment¹. To support members of governing bodies, this Higher Education Senior Staff Remuneration Code (the Remuneration Code) has been developed after wide consultation with CUC members and HE stakeholders. This Code will be reviewed every four years, in consultation with the sector.
2. This Code is situated within the context of the overarching HE Code of Governance², which sets out the values good Governance is based on, namely Integrity, Sustainability, Inclusivity, Excellence, Innovation, and Community. These values, together with the 'Nolan Principles of Public Life' provide an ethical framework for the determination of the remuneration of all staff, including those at a senior level.
3. The different UK regulatory frameworks of the HE sector mean that governing bodies need to decide how best to use the Remuneration Code. Institutions are bound by the relevant accounts direction issued by their regulator. Welsh institutions have agreed to more extensive senior pay reporting and are working towards developing annual pay policy statements. In Scotland, institutions will use the Scottish Code of Good Higher Education Governance³, which indicates how institutions should meet the key principles of good practice in remuneration. They may choose to use the Remuneration Code as an additional source of accepted good practice. In England, in assessing compliance with conditions of registration, the Office for Students (OfS) may consider the provider's information about the pay of senior staff within its audited financial statements and whether the governing body publishes its written commitment to comply with this Code.
4. Setting senior staff pay still needs to be fair, independent, and transparent however, there are several changes in the context since the original Remuneration Code was published - the financial landscape in the sector has shifted significantly since 2018, with enormous pressure on public finances, the uncertainties of Brexit and increasing impact of climate change. In HE challenges related to pensions, wage freezes and pay gaps related to ethnicity, gender and other protected characteristics have highlighted differences between staff and those at the top of institutions. This is especially important given specific actions in some nations around living wages and reducing pay inequalities e.g., the Welsh Fair Work Commission (2019) and the Scottish Fair Work Convention developing the concept of fair pay for all (Annex 1 for definitions).
5. By visibly adopting the Remuneration Code, and considering the concept of fair pay for all, governing bodies demonstrate leadership and stewardship in relation to remuneration within their institutions, illustrate the values that underpin their operation and help to protect institutional reputation and provide greater assurances to key stakeholders and partners, including the student community and wider society.
6. The use of this Code is voluntary, and it can be used by all HE providers. Some elements may not be appropriate for all providers, for example, those with an owner-manager who may take a dividend from the business. The Remuneration Code is therefore to be used on an 'apply or explain' basis. This means that institutions should either publicly state that they have abided by the minimum requirements of this Code or should provide meaningful explanations for non-compliance and how their alternative arrangements meet its principles.
7. Throughout this Code, the word 'must' identifies the CUC's view of the minimum requirements for an institution wishing to comply with it. Governing bodies are free to meet 'must' statements by the means and mechanisms appropriate to their context. The Remuneration Code is supported by a set of explanatory notes which are designed to assist governing bodies in developing their responses. The use of the word 'should' identifies good practices which institutions are encouraged to adopt.
8. The principles outlined in this Code apply to all remuneration decisions affecting the emoluments of the Vice-Chancellor and other senior post holders as prescribed in constitutional documents or by the governing body as being within the remit of the Remuneration Committee. In England, they also apply to senior staff as defined in the OfS accounts direction⁴.

¹ The context the sector operates within is explored in greater detail at https://www.universitychairs.ac.uk/wp-content/uploads/2021/11/The-Context-for-the-Higher-Education-Senior-Staff-Remuneration-Code_Revised-November-2021.pdf

² <https://www.universitychairs.ac.uk/wp-content/uploads/2020/09/CUC-HE-Code-of-Governance-publication-final.pdf>

³ www.scottishuniversitygovernance.ac.uk

⁴ <https://www.officeforstudents.org.uk/publications/regulatory-advice-9-accounts-direction-accounting-periods-beginning-on-or-after-1-august-2019/>

The Remuneration Code

Elements of fair and appropriate remuneration

Fair and appropriate remuneration⁵ requires three key elements – namely that there is:

- I. a fair, appropriate and justifiable level of remuneration;
- II. procedural fairness; and
- III. transparency and accountability.

Each of these elements is underpinned by several supporting principles.

Element I - A fair, appropriate and justifiable level of remuneration

Remuneration starts with a clear understanding of the responsibilities, context and expected contribution of a role and the attributes required to undertake that role effectively. Fair and appropriate remuneration then recognises an individual's contribution to their institution's success in that role and is sufficient to recruit, retain and motivate staff of appropriate calibre in the context of the market for that role, balanced with the need to demonstrate the achievement of value for money in the use of resources.

Principles

- a) Remuneration should take account of the context in which the institution operates, including any consideration of the relevance of fair pay for all.
- b) Remuneration must be linked to the value, based on several components, delivered by an individual acting within a role.
- c) Remuneration must consider matters of equality, diversity, and inclusion to ensure that there are no biases pertaining to gender or other protected characteristics within the pay structure.
- d) Institutions should be clear about what they expect from staff, i.e., what is 'normal' and what is 'exceptional'. There should be a robust and consistent process for setting objectives and assessing an individual's contribution.
- e) Remuneration can vary according to individual performance.⁶
- f) Awards made in respect of annual bonus arrangements linked to the achievement of specific annual objectives should not be consolidated.
- g) From time to time the value of a role may need to be reviewed in light of changing conditions, sustained performance, experience etc.
- h) Non-achievement of an individual's expected contribution should have consequences.
- i) Any severance payments must be reasonable and justifiable.
- j) There should be a clear and justifiable rationale for the retention of any income generated by an individual from external bodies in a personal capacity.

⁵ Remuneration includes not only basic salary but also bonuses, expenses and other allowances, and the monetary value of benefits in kind including housing and cars, etc.

⁶ The decision to apply performance-related pay is for individual HEIs to make. Nothing in this Code is intended to imply that performance-related pay is a requirement for fair and appropriate remuneration.

The Remuneration Code

Element II – Procedural fairness

Procedural fairness requires remuneration to be set through a process that is based on competent people applying a consistent framework with independent decision making using appropriate evidence and assessing the value of roles, the context and individuals' performance in them.

Principles

- a) Senior post holder remuneration should be determined in the context of each institution's approach to rewarding all its staff, and in particular, consideration should be given annually to the rate of increase of the average remuneration of all other staff.
- b) No individual can be involved in deciding his or her remuneration.
- c) Remuneration Committees must be independent and competent.
- d) The head of the institution (Hol) must not be a member of the Remuneration Committee.
- e) Remuneration Committees, when considering Hol remuneration, must be chaired by a lay governor who is not Chair of the governing body.

Element III - Transparency and accountability

The process for setting remuneration must be transparent. For senior post holders there must be an institutional-level justification for remuneration that relates to the competitive environment, the value of the roles and institutional performance. The remuneration of the Hol must be separately justified, published and related to the remuneration of all staff within the organisation.

Principles

Each institution must publish a readily accessible annual statement, based on an annual report to its governing body, containing:

- a) a list of post-holders within the remit of Remuneration Committee;
- b) membership of the Remuneration Committee⁷;
- c) its policy on the remuneration for post-holders within the remit of Remuneration Committee;
- d) its choice of comparator institutions/organisations;
- e) its policy on income derived from external activities;
- f) the pay multiple of the Hol and the median earnings of the institution's whole workforce, illustrating how that multiple has changed over time and, if it is significantly above average, an explanation of why; and
- g) an explanation of any significant changes.

⁷ Alternatively, an explicit statement that the Head of Institution is not a member of Remuneration Committee

Explanatory notes

1. Institutions will be able to apply the above principles in a way that is appropriate to their circumstances. These notes do not expand the Remuneration Code but are intended to assist institutions' discussions as to their use of it.
2. Remuneration must be linked to the value delivered by an individual acting within a role. The value of a role is based on several components and criteria for assessing the value of roles, which could include:
 - complexity (scale and range of decision making, collaboration and contact, time-critical activity);
 - impact (on students, research, finances, and people, including employees, partners, and citizens);
 - discretion (level of accountability, degree of autonomy and decision-making authority);
 - levels of experience;
 - knowledge and skills (including specialist skills) required;
 - reputation and academic/professional credibility needed for the role;
 - an ability to recruit and retain key staff; and
 - external comparisons.
3. To retain staff, Remuneration Committees need to consider market position – typically by looking at a set of comparator institutions/organisations. The choice of these comparators will usually be linked to institutional strategy. Comparator selection may depend on the type of post being filled – for example, private and public sector comparisons are often used for professional services staff, whereas NHS and international HEI comparisons may be more appropriate for certain academic staff.
4. Institutions also need to reflect on what the consequences will be in instances where individuals do not deliver the expected contribution. Consequences for individuals will depend on the nature of the remuneration package offered but might mean no uplift of basic pay, no participation in bonus payments⁸, or some form of performance management.
5. For institutions that use metric-driven performance assessments, a balance should be achieved between the achievement of institutions' long and short-term objectives and, for those that use them, the impact of team-based assessments.
6. In making severance payments, institutions must meet their contractual obligations and be able to explain the reasons for any payments made. HEIs will need to carefully consider any advice that is available from regulators, together with detailed CUC advice. Remuneration Committees have specific responsibilities in this area – in particular, ensuring that contracts agreed with senior post holders are fair, reasonable, and justifiable and do not expose the institution to significant potential liabilities, for example by being able to explain notice periods of more than six months.
7. It is important for institutions that staff represent them on various bodies and boards and carry out academic and civic responsibilities at other organisations, e.g., non-executive director roles. There should be a clear and published policy on any such activity that generates additional income for the individual from the external body. Hols are generally unlikely to be able to retain significant sums, but any income they do retain needs to be disclosed and explained.
8. The approach to expenses can be a sensitive topic, and generally institutions should identify normal business costs separately and adopt a single published scheme that applies to all staff. Remuneration Committees should receive assurance that the scheme is operating effectively.

⁸ If available.

9. Remuneration Committees must be comprised of people who are independent of the institution's management - primarily lay members of the governing body.⁹ Membership must include the institution's Chair, but not the Hol.¹⁰ Remuneration Committees should be able to engage external independent expertise if required. Increasingly institutions are including student and staff members as an aid to transparency. In Scotland, the remuneration committee is expected to seek the views of representatives of students and staff of the Institution on the remuneration package of the Principal and the senior executive team.
10. Institutions must publish the multiple of the remuneration of the Hol and the median earnings of the institution's whole workforce annually. This should be accompanied by sufficient explanation and context to enable useful comparison. They may also wish to publish other multiples, such as the ratio of Hol salary to:
 - a) the median academic salary;
 - b) the median professorial salary; and
 - c) the median professional staff salary.

To assist with consistency and comparison, the definition for the multiple should be based on the methodology used by UCEA which is available from its website. Institutions will adopt a range for their chosen pay multiples that they regard as acceptable. The diversity of the sector means these ranges will differ between institutions. Institutions that position themselves in the highest quintile will need to be prepared to provide additional explanations to stakeholders and their regulators as to why this is desirable.

11. Each year, Remuneration Committees must produce an annual remuneration report to the governing body. That report will need to provide sufficient assurance to the governing body that the Remuneration Committee has effectively discharged its responsibilities.
12. The institution must also publish a readily available remuneration annual statement. This may be within the annual report and accounts (as an Annex or separate section), or it may be published as a standalone document. Ideally, the published annual statement will be the same as the annual remuneration report to the governing body. However, modifications may be necessary to preserve commercial confidentiality.

⁹ They may choose to co-opt additional external members with particular expertise.

¹⁰ The Hol may be invited to attend meetings but must not be present for discussions affecting him or her. Where the Remuneration Committee is responsible for all senior staff pay, including professors, it is important that the Hol is present at meetings to discuss these staff and ensure that the Committee's decisions are well informed.

Fair Work

In July 2018 the then First Minister, Carwyn Jones AM appointed Professor Linda Dickens to lead the independent Fair Work Commission. They reported in March 2019 with a set of recommendations to promote and encourage fair work in Wales.¹¹ As of 2020 all Welsh universities are accredited living wage employers.

In Scotland, the Fair Work Convention has been in place since April 2015 and acts as an independent advisory body to Scottish Ministers and has produced a Vision & Framework for Fair Work in Scotland.¹²

In England, this agenda has been pursued at a more local level. For example, several Metropolitan Mayors (e.g., Greater Manchester, Merseyside, London) and some local authorities and cities in England (e.g., Birmingham, Nottingham, Liverpool) are developing employment charters or standards.

Definition

Fair work is where workers are fairly rewarded, heard and represented, secure and able to progress in a healthy, inclusive environment where rights are respected. There are six characteristics within this definition. Tackling inequality and promoting equality and inclusion for all protected groups is integral to all six characteristics.

Fair Work Characteristics

1. Fair reward
2. Employee voice and collective representation
3. Security and flexibility
4. Opportunity for access, growth, and progression
5. Safe, healthy, and inclusive working environment
6. Legal rights respected and given substantive effect

The tackling of inequality and active promotion of equality and inclusion is seen as integral to the fair work agenda. On balance we felt that having it as a separate characteristic risked it not being regarded in this way and treated in practice as an 'add-on' or as tangential. In not having the promotion of equality as a separate fair work characteristic we have sought to emphasise the need for inclusion, equality, and human rights issues to be integrated and mainstreamed through all six characteristics

Fair reward

- Rates of pay and other terms and conditions are appropriate, commensurate with skill etc. Work is evaluated fairly, including revaluing of work generally performed by women.
- Relevant collective agreements are adhered to. Negotiated rates or industry, sector or occupational standards are followed where applicable.
- The Real Living Wage) provides the minimum wage floor for all working hours. The employer has achieved or is working towards accreditation as a Living Wage Employer.

¹¹ <https://gov.wales/sites/default/files/publications/2019-05/fair-work-wales.pdf>

¹² <https://www.fairworkconvention.scot/the-fair-work-framework/>

- Enhanced contractual rates above statutory minima are paid where possible (e.g., sick pay, maternity pay, paternity pay, holiday pay).
- There is transparency in pay calculation (including bonus, holiday pay, sick pay etc.) and the method of pay determination.
- Employer demonstrates non-discriminatory pay systems and that pay, and reward are equitable as between different groups (e.g., through transparent gender and ethnicity pay audits) and that there is an action plan to deliver this.
- There is transparency in pay distribution including reporting the ratio of senior pay to the median of their workers' pay, and an action plan to address pay gaps.
- Access to a good occupational pension.
- Benefit schemes that take account of the needs of lower-paid workers

Appendix B

Guidance on Decisions Taken about Severance Payments in HEIs, Committee of University Chairs.

Guidance on Decisions Taken about Severance Payments in HEIs

1. There is significant student and public interest in the remuneration of heads of higher education institutions (HEIs) and in the severance payments and packages received by those vacating such positions. Student interest has grown as the funding of higher education (HE) has moved increasingly from government grants to tuition fees. There is also considerable press interest in these matters, with HEIs and other charities being challenged and held to account for the levels of pay for their chief executives. This interest poses questions over the proper use of funds and assets and may impact on the reputation of individual HEIs and the HE sector as a whole.
2. In response, the CUC has published an HE Senior Staff Remuneration Code. This document sets out guidance to support governing bodies in their determination of remuneration and severance payments to heads of institutions (Hols) and staff earning over £100,000.
3. For those HEIs that are also charities, the governors (who are the trustees of the charity) must use charitable funds and assets only to further the charitable purposes of their HEI. This duty applies to trustees' stewardship of all of the charity's funds and assets – not just those that derive from public funds.
4. Appropriate severance payments require three key elements – namely that there is:
 - I. a reasonable, appropriate and justifiable amount;
 - II. procedural fairness; and
 - III. transparency and accountability.

Each of these elements are underpinned by several supporting principles.

Element I – A reasonable, appropriate and justifiable amount

5. In making severance payments, institutions must meet their contractual obligations and be able to explain the reasons for any payments made. HEIs will need to carefully consider any advice that is available from regulators. Remuneration Committees have specific responsibilities in this area: in particular, ensuring that contracts agreed with senior post holders are fair, reasonable and justifiable and do not expose the institution to significant potential liabilities. For example, HEIs must be able to explain notice periods of more than six months.
6. Severance payments must consider matters of equality, diversity and inclusion with a view to ensuring that there are no biases based on gender, or other protected characteristics with regard to any payments made.
7. An HEI considering severance payments needs to ensure that it is being fair and equitable in its decision making about different groups of staff.
8. Enhancements to severance packages should not as a rule be provided out of public funds. For those HEIs that are charities, governing bodies must be mindful that non-public funds are assets of the charity and should therefore ensure that the use of these assets to make severance payments is in accordance with the use of charitable funds only to further the HEI's charitable purposes.
9. Governing bodies may also wish to consider the outcomes of the government's consultation on reforms to public sector exit payments.¹
10. When a severance arises following poor performance on the part of an individual, payment should be proportionate, and there should be no perception that poor performance is being rewarded. Final-year salaries should not be inflated to boost pension benefits.

¹ HM Treasury (2016) [Reforms to public sector exit payments: response to the consultation](#).

Element II – Procedural fairness

11. Procedural fairness requires severance payments to be set through a process that is based on competent people applying a consistent framework with independent decision making using appropriate evidence. No individual can be involved in deciding his or her own severance payments.
12. The actions of those taking decisions about severance payments and those potentially in receipt of such payments should be governed by the standards of personal conduct set out by the Committee on Standards in Public Life (the seven Nolan Principles):
 - a) selflessness;
 - b) integrity;
 - c) objectivity;
 - d) accountability;
 - e) openness;
 - f) honesty; and
 - g) leadership.
13. Governing bodies must establish Remuneration Committees; these should be composed primarily of independent members of the governing body (and include the Chair of the governing body) but may co-opt external members to ensure it has the appropriate experience available. The Remuneration Committee must review any severance packages for post holders within its remit and, if needed, seek legal advice before making its recommendation to the governing body or exercising its delegated powers.
14. The Remuneration Committees, if considering HoI severance, must be chaired by a lay governor who is not Chair of the board.
15. Negotiations about severance packages and payments should be informed, on both sides, by appropriate legal advice as necessary.

Element III – Transparency and accountability

16. The process for determining severance payments must be transparent.
17. The decisions about severance payments should be made in such a way as to ensure the accountability of those making the decisions as well as those in receipt of such payments.
18. Severance payments to senior staff should be disclosed in the Annual Remuneration Report to the governing body.
19. Confidentiality clauses can require both sides not to disclose the terms of the agreement or the circumstances leading up to the severance. In the private sector this is thought to be a cost-effective way of resolving disputes to the satisfaction of both sides and allowing the organisation to move on. HEIs and their outgoing staff may also need these protections, but this must be balanced by requirements for accountability and openness.
20. Therefore, compromise agreements for senior staff that include confidentiality clauses are acceptable, but they should be the exception rather than the norm. Any confidentiality clause should not prevent the wider public interest being served, and any undertakings about confidentiality should leave severance transactions open to adequate public scrutiny by the National Audit Office (NAO) and Public Accounts Committee. This means that both sides in a severance agreement should understand that any information covered by a confidentiality clause will need to be disclosed, if required, to the appropriate regulator or the NAO.