

Severance Payments Policy (UK)

July 2024

Approving authority:	The Court
Consultation via:	Remuneration Committee
Approval date:	28 June 2021 updated 24 June 2024
Effective date:	1 July 2024
Review period:	Five years from date of approval or ahead of any formal VR processes
Responsible Executive:	Global HR Director
Responsible Office:	Human Resources

POLICY

**HERIOT-WATT UNIVERSITY
POLICY TITLE**

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1. INTRODUCTION

The University aims to ensure security of employment for its employees as far as possible. However, it is recognised that, from time to time, there may be changes in the internal and external environments (e.g., in public policy and funding, financial and market conditions), organisational requirements and other internal factors – both planned and unplanned - which affect staffing needs.

The University recognises that working in partnership with staff and the Recognised Trade Unions with a common problem-solving approach is the most effective way of managing change.

This Policy sets out how severance payments will be made in relation to Redundancy, both compulsory and voluntary as well as non-redundancy related terminations, and is one of a suite of policies/procedures on Managing Change and should be read in conjunction with the following policies:

- Management of Organisational Change Overarching Policy
- Consultation on the Avoidance of Redundancy
- Redeployment Policy
- Voluntary Redundancy Policy and Procedures
- Redundancy Selection Policy and Procedures
- Fixed Term Policy

Where the savings required cannot reasonably be achieved from non-pay budgets and pay savings prove necessary, every effort will be made to achieve these through voluntary means and to avoid compulsory redundancy.

When considering any use of this policy, the University will have regard to relevant guidance in determining any severance packages, including the SFC Financial Memorandum and the Scottish Code for Good Higher Education Governance (in particular Sections 94-97 and 101-103) available here:

[Financial memorandum \(sfc.ac.uk\)](https://www.sfc.ac.uk/financial-memorandum)

[The 2023 Code | Scottish Code for Good Higher Education Governance \(scottishuniversitygovernance.ac.uk\)](https://www.scottishuniversitygovernance.ac.uk/the-2023-code)

Any proposal for a severance package should take into account contractual notice and statutory entitlements. Any payments should be proportionate and have due regard to the appropriate use of University funds, and in particular the value for money considerations set out in the SFC Financial Memorandum given the level of public funding the University receives.

In all cases, the full approval process (outlined below) must be completed prior to any agreement being reached with the individual member of staff. In all cases the proposal will include a supporting business case and options appraisal documenting a value for money assessment.

2. PURPOSE

To set out clearly the severance payments made where an individual is redundant or volunteers for redundancy. Additionally, to set out the approval processes associated with Severance Payments including those not associated with a redundancy situation.

3. SCOPE

This Policy applies to all UK-based University employees, (noting that redundancy payments are only applicable to employees with two or more years' service) and is designed to ensure that the University's approach to change/restructuring is fair and consistent. Employees on fixed term contracts should consult the Fixed Term Policy.

Employees not based in the UK will normally have a separate policy and process due to differing local Labour laws. This will be explicit in the appropriate contract terms and conditions.

However, in relation to the approvals set out in Section 11 Severance Payments for Senior Management, this policy covers all members of Senior Management irrespective of their location.

This policy does not form part of employees' contracts and may be amended from time to time.

4. SEVERANCE PAYMENT FOR VOLUNTARY REDUNDANCY

As a part of a review of the efficiency of a School or Professional Service, volunteers for redundancy may be sought under the Voluntary Redundancy Scheme operational at that time.

Severance packages will only be available where it can be clearly demonstrated that a potential redundancy exists or that voluntary redundancy will result in the avoidance of the compulsory redundancy of another member of staff.

All agreements must be in the interests of the University. The University retains the right at all times to turn down any application for voluntary redundancy where there is a need to retain specific skills or experience or where the business case for the departure is insufficient.

Where a voluntary redundancy package is agreed with an employee, there will not normally be any subsequent re-engagement or re-employment of that employee by the University in the following five years unless for a specific short-term project for which no other resource can be found.

The severance payment scheme will mirror the statutory redundancy scheme but will be enhanced as follows:

For all staff with at least two complete years of service at the date of termination:

- One week's pay for each full year of service under age 22
- Two weeks' pay for each full year of service between age 22 and 41
- Three weeks' pay for each full year of service over age 41

All calculations are based on actual weeks' pay and will be capped at the statutory maximum of 20 years' reckonable service.

Severance payments will be capped at the lower of either one year's salary or £90,000.

If mandatory pension strain costs apply, the total package will be capped at £100,000. This may result in the severance payment being reduced.

Actual week's pay is calculated as annual salary/52.1429 and excludes additional payments such as overtime, shift premia, consultancy or honoraria.

Where an employee has, in the previous 12 months, reduced their hours as a means of avoiding redundancy, their severance pay will be calculated on the salary earned on the substantive FTE immediately prior to the reduction in hours taking effect.

Current tax legislation allows the payment of up to £30,000 without any deduction of tax or National Insurance contributions (which may be subject to change).

Any proposed payments under this voluntary redundancy arrangement will be subject to a full business case which will be approved by the Vice Principal & Provost or the University Secretary following consideration by the Resource Management Group or other Sub-Committee of the University Executive as convened from time to time. (See also Section 11 below).

Any proposed payment under this Section which exceeds a total package of £100K will be subject to the arrangements set out in Section 10 below.

All members of staff receiving a voluntary redundancy package are required to sign a Settlement Agreement.

5. SEVERANCE PAYMENT FOR COMPULSORY REDUNDANCY

Where it is clear that a particular economic environment or course of action such as restructure, withdrawal of specific course of study, withdrawal of funding for specific projects or activities or other changes is likely to require a reduction in posts and all other reasonable options to avoid compulsory redundancy have been considered exhausted, (including Voluntary Redundancy), those selected for compulsory redundancy under the Redundancy Selection Policy and who have more than two years continuous service will be eligible to receive a redundancy payment.

Employees on fixed term contracts should consult the Fixed Term Policy.

The enhanced University redundancy payment scheme will apply as follows:

- Half a week's pay for each full year of service under age 22
- One week's pay for each full year of service between age 22 and 41
- One and half week's pay for each full year of service age 41 or older

All calculations are based on **actual week's pay** (rather than the statutory weekly capped pay) and will be capped at the statutory maximum of 20 years reckonable service.

Actual weeks' pay is calculated as annual salary/52.1429 and excludes additional payments such as overtime, shift premia, consultancy or honoraria.

Where an employee selected for compulsory redundancy has, in the previous 12 months, reduced their hours as a means of avoiding redundancy, their redundancy pay will be calculated on the salary earned on the substantive FTE immediately prior to the reduction in hours taking effect.

Current tax legislation allows the payment of up to £30,000 without any deduction of tax or National Insurance contributions (which may be subject to change).

6. SEVERANCE PAYMENT FOR NON-REDUNDANCY TERMINATION OF EMPLOYMENT

The University may, in exceptional circumstances and at its sole discretion, offer a severance arrangement to an employee on the termination of their employment for reasons other than redundancy. In all cases a business case must be prepared, and following endorsement by the Global Director of HR, presented to the Vice-Principal & Provost or University Secretary for approval giving due consideration to value for money. The business case should include reference to any proposed termination payment and payments in relation to any contractual obligations.

Any proposal where the total package (severance payment plus any payment in lieu of notice or annual leave accrued but not taken at termination date, payment for outplacement support and any mandatory payment into a pension scheme) exceeds £100,000 would be subject to the procedure set out in Section 10 below.

Additionally, any termination payment to a Grade 10 member of staff proposed under this Section which exceeds the equivalent of three months' salary (over and above contractual obligations), will be referred to the Chair of the Remuneration Committee who may require a business case to be presented to a full meeting of the Committee for approval.

There is no contractual right or entitlement to such a payment and in general it is good practice for the funds of the University to be used only to meet contractual obligations. However, the circumstances under which severance arrangements are made are not generally directly covered by contractual entitlements. All members of staff receiving such a payment will be required to sign a Settlement Agreement.

7. PENSION IMPLICATIONS

The University will comply with the relevant Pension Scheme Rules or Regulations as the case may be and as they are constituted from time to time.

8. NOTICE PERIODS

The University will require individuals to work their appropriate notice period unless specific circumstances render this impracticable. Should this be the case, individuals will receive outstanding notice entitlement as a payment in lieu of notice, subject to tax and NI deductions.

9. ANNUAL LEAVE

The University will require individuals to take any annual leave accrued but not yet taken between the start of the leave year (1st October) and the date of leaving, unless specific circumstances render this impracticable. Should this be the case, individuals will receive payment for outstanding annual leave accrued, but not taken up to the date of termination, subject to tax and NI deductions.

10. SEVERANCE PAYMENTS FOR SENIOR MANAGEMENT (UE/GOE) AND ALL PAYMENTS WHERE TOTAL PACKAGE EXCEEDS £100k

Whenever a severance payment is proposed for

1. any member of the **University Executive (UE) or Global Operations Executive (GOE)**
2. any other member of staff where the total package (i.e. severance payment plus any payment in lieu of notice or annual leave accrued but not taken at

termination date, payment for outplacement support and any mandatory payment into a pension scheme) proposed under Sections 4-6 above exceeds £100,000

a business case must be presented to the Remuneration Committee for approval/endorsement. This includes any redundancy payment, whether voluntary or compulsory, as well as any proposal for a non-redundancy related payment.

In all cases covered in this Section, the University will consult with the Scottish Funding Council's Accountable Officer prior to approving the proposed severance package.

As well as taking legal advice where appropriate, the University will also seek the view of its external auditor in relation to any novel or potentially contentious severance payments, including where the total package exceeds £100,000.

Any proposed severance payment to the **Principal, Vice Principal or University Secretary** will be considered by the Remuneration Committee prior to formal approval by the University Court.

Any proposed severance payment where the total package exceeds £100K will also be presented to the University Court for formal approval if endorsed by the Remuneration Committee.

In all cases, the Business Case must set out a clear rationale for the full severance package, including an explanation of considerations made in relation to value for money and the principle of not rewarding poor performance. It should also make reference to any legal advice received in relation to the case and, where appropriate, indicate what alternative options have been considered. The full cost of the package must be clearly set out including but not limited to;

- termination payment,
- payment in lieu of notice,
- any mandatory payment to a pension scheme,
- payment for outplacement support.

It is recognised that the working of notice is not always in the best interests of the University and, as noted in Section above, it is not always practicable. However, serving notice should not be artificially delayed and the cost of payment in lieu of any unserved notice should be clearly set out in the business case.

Even when no other severance payment is under consideration, where it is proposed to make a payment in lieu of notice to a member of the UE or GOE, rather than requiring notice to be worked, the Chair of the Remuneration Committee must be consulted. The Chair may require a full business case to be presented to the Committee for approval should they consider this necessary.

The Remuneration Committee may, at its sole discretion, refer any proposed severance payment to a member of the UE or GOE to a meeting of the University Court for formal approval. This might, for example, be in cases where the proposal may be deemed to be novel or contentious.

Additionally, any non-contractual severance payment proposed under Section 6 above for a **Grade 10** member of staff exceeding three months' salary, will be referred to the Chair of the Remuneration Committee who may require that a business case be presented to the full membership of the Committee for approval.

A summary note will be taken of the considerations of the Remuneration Committee in relation to any case presented.

11. REPORTING OF SEVERANCE PAYMENTS

All severance payments made under the terms of this Policy will be reported to the Remuneration Committee on an annual basis.

The approval of any individual severance package by the Remuneration Committee will be reported to Court. Any severance payments made to the Principal will be reported publicly as soon as possible. Additionally, the University will ensure that any payments requiring external reporting are included in the Statement of Annual Accounts.

12. MONITORING AND EVALUATION

This Policy and related Guiding Principles will be reviewed every five years from the date of implementation, or earlier should legislation dictate.

Additionally, prior to any Formal Voluntary Redundancy Exercise, the Policy and terms will be reviewed and consultation carried out with the recognised trade unions.

Any amendments will be notified to employees through the normal communication channels and/or e-mail.

This Policy and related Procedures will be maintained on the Human Resources Website.

Any reports produced using this information will be kept securely and confidentially with personal data removed in accordance with the Data Protection Act 2018 and the University's Records Retention Policy and in line with the Staff [Privacy Notice](#).

Additionally, Severance Payments agreed in line with Sections 7 and 11 above will be discussed with and/or reported, as appropriate, to the Scottish Funding Council and the University's External Auditor and, where necessary, reported in the Statement of Annual Accounts.

General statistics are maintained and reported for equal opportunities monitoring, Athena SWAN and other accrediting bodies, Freedom of Information requests and key performance indicator purposes.

13. RELATED POLICIES, PROCEDURES AND FURTHER REFERENCE

Policies and Procedures

Please visit the [HR Policy Web Page](#) to find the following:

- Management of Organisational Change Overarching Policy
- Consultation on the Avoidance of Redundancy
- Redeployment Policy
- Voluntary Redundancy Policy and Procedures
- Redundancy Selection Policy and Procedures
- Fixed Term Policy

Further reference

Please contact [HR helpdesk](#) for queries regarding this Policy and linked Procedures. Further advice can be found at this link: [Pensions](#)

You may also contact your Trade Union rep at
<https://portal.hw.ac.uk/dashboard/staff-portal>

Or on the general addresses below:

UCU@hw.ac.uk

unite@hw.ac.uk

unison.hwuniversity@hw.ac.uk

14. POLICY VERSION AND HISTORY

Version No	Date of Approval	Approving Authority	Brief Description of Amendment
V. 1.1	28 June 2021	The Court	Reporting Requirements to Remuneration Committee
V 1.2	24 June 2024	The Court	Revised language to ensure alignment with external guidance. Improved clarity in relation to role of Remuneration Committee

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Appendix 1 Summary table showing the types of severance payments which may be made along with Approvals and Reporting

HR will advise managers on all cases where a severance payment is proposed. The following table sets out the approval and reporting process for all Voluntary Redundancy and non-redundancy cases and all Severance Payments for Senior Management (UE/GOE Members). All require a business case to be produced and approved.

Grade	Severance Type	Approval Process	Reporting
2-9	Voluntary Redundancy <£100K package	Vice Principal & Provost or University Secretary following consideration by UE Sub-Committee	Annual report to Remuneration Committee.
2-9	Voluntary Redundancy >£100K package	University Court following endorsement by Remuneration Committee following consultation with SFC/Auditor	Published in line with external Guidance
2-9	Non-Redundancy <£100K package	Vice Principal & Provost or University Secretary following consultation with GDHR	Annual report to Remuneration Committee
2-9	Non-Redundancy >£100K package	University Court following endorsement by Remuneration Committee following consultation with SFC/Auditor	Published in line with external Guidance
Grade 10 (excluding UE and GOE members)	Voluntary Redundancy	As per Grades 2-9 above	As per Grades 2-9 above
Grade 10 (excluding UE and GOE members)	Non-Redundancy up to 3 months' severance pay	Vice Principal & Provost or University Secretary following consultation with GDHR	Annual Report to Remuneration Committee
Grade 10 (excluding UE & GOE members)	Non-Redundancy > 3 months' severance payment	Remuneration Committee Chair following endorsement by VP&P or Secretary and GDHR - May require full business case to be considered by Remuneration Committee	Annual Report to University Court

Grade	Severance Type	Approval Process	Reporting
Principal, Vice Principal & Provost or Secretary	Any Severance payment	University Court following full consideration at Remuneration Committee: case supported by appropriate consultation with SFC & Auditors and legal advisory input.	Published in line with external Guidance
Other Members of UE or GOE	Any Severance payment	Remuneration Committee or University Court if >£100K package or if potentially novel or contentious. Cases supported by consultation with SFC & Auditors and legal advisory input as appropriate. (Remco may refer any case to Court for Final Approval)	Reported directly to University Court
Senior Management member of UE or GOE	Payment in Lieu of Notice only	University Principal following consultation with Chair of Remuneration Committee who may refer to a meeting of the full Committee.	

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