

SEVERANCE PAYMENTS POLICY

1. INTRODUCTION

The University aims to ensure, as far as possible, security of employment for its employees. 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 campus 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 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 saving 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.

2. PURPOSE

To set out clearly the severance payments made where an individual is redundant or volunteers for redundancy.

3. SCOPE

This Policy applies to all UK-based University employees, with two years' service or more 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.

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 2 complete years of service at the date of termination:

- One week's pay for each full year of service under age 22
- Two week's pay for each full year of service between age 22 and 41
- Three week's 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. 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 has, in the previous 12 months, reduced his/her hours as a means of avoiding redundancy, his/her 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).

All members of staff receiving a voluntary redundancy package would be 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 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 weeks 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 his/her hours as a means of avoiding redundancy, his/her 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 PAYMENTS 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.

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 the 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 outstanding annual leave up to the date of departure, subject to tax and NI deductions.

10. 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.

Where a severance package exceeds £100,000, the University will consult with the Scottish Funding Council's Accountable Officer prior to approving the proposed severance package. Formal approval of the proposal will also be required from the University Court. The University will seek the view of its external auditor in relation to any novel or potentially contentious severance payments, including any that exceed £100,000.

11. MONITORING AND REVIEWING OF POLICY

This Policy and related Procedures will be reviewed every three years from the date of implementation, or earlier if legislation dictates. 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 and Intranet pages.

12. FURTHER HELP AND ADVICE

Please contact Human Resources – Please contact [Human Resources](#) – for queries regarding his Policy and linked Procedures

Further advice can be found at: [TU information USS/LPGS](#)