

# Redundancy and Severance Policy

| This Issue | Amendment   | Last Issue  | Review Date (reviewed every 3 years) |
|------------|---|-------------|--------------------------------------|
| April 2022 | Page 4, Link to Change Management Policy replaced with Managing Restructures & Reorganisations Policy | August 2021 | 2023                                 |
|            |   |             |                                      |



|   |   |
|---|---|
| Redundancy and Severance Policy .....   | 1 |
| 1. Introduction and Scope .....   | 3 |
| 2. What is the Severance scheme? .....  | 3 |
| 3. Who does the policy apply to? .....  | 3 |
| 4. Why do we have a Severance scheme? .....   | 3 |
| 5. What types of severance are there? .....   | 4 |
| 5.1 Compulsory Redundancy.....  | 4 |
| 5.2 Voluntary Redundancy .....  | 4 |
| 5.3 Efficiency .....  | 5 |
| 6. Do I qualify for a severance payment and what is the impact on my pension? ..... | 6 |
| 6.1 Redundancy.....   | 6 |
| 6.2   |   |

# 1. Introduction and Scope

It is the council's policy to take all reasonable steps to avoid compulsory redundancies and where such redundancies occur nevertheless for unavoidable business reasons, to keep the number of redundancies to a minimum.

Alternative courses of action will be reviewed in order to identify alternatives to compulsory redundancies such as:

- A restriction or freeze on recruitment

- The termination, where practical, of any agency workers or temporary staff (who are not on fixed term contracts).

- A call for volunteers below State Pension Age from relevant service areas to express an interest in voluntary redundancy.

A financial payback period within 3 years or where above 3 years in line with a compelling business case to the Retirement, Redundancy & Discretions Group <sup>2</sup>

Where approved, the employee will receive the benefits of Severance as outlined below.

The council reserves the right to refuse requests for Severance where it considers the skills could be retained or due to financial prudence.

## 5. What types of severance are there?

### 5.1 Compulsory Redundancy

Redundancy may occur if suitable alternative employment is not offered following:

A business closure (closure of the business altogether)

A workplace closure (closure of one of several establishments)

A need for employees to carry out work of a particular kind has ceased or diminished or is expected to cease or diminish.

Please refer to the [Managing Restructures & Reorganisations Policy](#) for more information on Compulsory Redundancy.

### 5.2 Voluntary Redundancy

Voluntary redundancy occurs when an employer offers a financial incentive to an employee to leave the organisation voluntarily, in order to avoid making compulsory redundancies.

Voluntary redundancy still constitutes a dismissal.

For an application for Voluntary redundancy to be considered it must:

Show that there was a genuine reduction in the requirement for work of a particular kind to be undertaken at a particular establishment or school. This usually arises through the deletion of the position occupied by the individual concerned.

Show that by terminating an employee's employment by reason of redundancy it would leave a vacancy that provides suitable employment for someone who would otherwise be made compulsorily redundant from a different redundant post.

If the above criteria are met, an employee could request redundancy through their line manager.

On rare occasions invitations for volunteers for severance may be made even when there is no reorganisation in a team/service. Such "employee led" voluntary redundancy would be subject to the statutory earnings limit when calculating a week's pay for redundancy pay purposes. Further information is provided in section 6.1.

In cases of both Compulsory and Voluntary redundancy the following will apply:

---

<sup>2</sup> Information about the Retirement, Redundancy & Discretions Group is on SCC Info..

From time to time as part of localised or county-wide organisational change, the council / schools may invite volunteers for severance on any of the grounds set out in this policy. In inviting applications the council does not bind itself to accept any or all applications made as a result.

An employee will not be entitled to a severance payment if, before leaving the council / school, they accept an offer of employment with another local authority or associated employer contained in the *Redundancy Payments (Modification) Order 1999* and commence the new employment within four weeks of their last day of service as the employment would be deemed to be continuous.

In cases of Compulsory redundancy the following will apply:

## 6. Do I qualify for a severance payment and what is the impact on my pension?

### 6.1 Redundancy

The following calculations will apply depending on the age of the employee and under which category they leave the organisation<sup>4</sup>:

| Type   | Age  | Benefit                          | Calculation  |
|--|--|----------------------------------|--|
| “Employer led”<br>Voluntary/<br>Compulsory<br>redundancy | Over 55 and a<br>member of the<br>occupational pension<br>scheme | Pension                          | Immediate payment of pension benefits. The pension benefits paid to an employee retiring on redundancy grounds before the pension scheme’s Normal Pension Age (NPA) will NOT be reduced due to early payment. <sup>5</sup> |
|  |  | Redundancy-<br>Severance payment | Employees would also be due a redundancy payment based on the number of weeks as calculated by the <a href="#">ready reckoner</a> multiplied by the employee’s weekly pay. T   |

Type

Age

The calculation of the pension benefits payable to an employee who is made redundant or retires on the grounds of business efficiency at or over age 55 depends on their scheme membership dates. Benefits built up in the Career Average Re-valued Earnings (CARE) scheme will be based on the pensionable pay that they receive up to their leaving date. A combination of final pay and membership will be used to calculate benefits built up in the Final Salary scheme.<sup>7</sup>

The pension benefits paid to scheme members who retire voluntarily before the scheme's normal pension age (NPA) would normally be reduced to reflect the early payment date. Where an employee is made redundant or retires on the grounds of business efficiency at or after age 55, but before the scheme's NPA, these early retirement reductions will not apply.

## **6.2 Redundancy / Efficiency –**



## 8. How will my redundancy and pension payments be taxed?

Any redundancy payment under £30,000 will not be subject to income tax under current HMRC guidelines. Any excess above £30,000 will be taxed in the normal way. Any Pay in Lieu of Notice is taken into account in assessing whether the payment exceeds the £30,000 threshold.

Up to 25% of the value<sup>8</sup> of an employee's pension can be taken as a tax free lump sum<sup>9</sup>. Pensions in payment are taxed as earned income.

## 9. Re-engagement of redundant employees

Normally the council will not re-employ or re-engage employees who have been made redundant with an enhanced severance payment, for a period of 12 months following their leaving date. However, where re-employment is in the best interests of the service, the Assistant Director can make a business case to the relevant Executive Director and the Director of HR&OD. Re-engagement includes contracts of employment, consultancy arrangements or through an agency.

The council has decided that this restriction will not apply to employees who have been made redundant from a maintained school.

---

<sup>8</sup> The total value of your LGPS pension includes any additional year's contracts, additional retirement contribution contracts (ARCs), additional pension contribution contracts (APCs) and additional voluntary contribution contracts (AVCs) that you may have taken out.

<sup>9</sup> Within lifetime allowance limits