



Redundancy Compensation Scheme

Procedure Owner	Director of HR	Procedure Author	HR Manager
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1	Procedure updated to ensure compliance.	March 2024



REDUNDNACY COMPENSATION

1. Context

- 1.1 The scheme is to be read in conjunction with the RGU [Redundancy Policy and Procedure](#).
- 1.2 These arrangements are non-contractual, and as such, the University reserves the right to review, amend, alter or withdraw selected elements of the scheme at any time following consultation with the recognised trade unions with a view to reaching agreement.

2. Definition

- 2.1 To qualify for payment of redundancy compensation, a dismissal needs to meet the requirements of the Employment Rights Act 1996. Full details are outlined in the [Redundancy Policy and Procedure](#).
- 2.2 A compulsory redundancy situation arises in the circumstances outlined in section 4 of the University's [Redundancy Policy and Procedure](#).
- 2.3 A compulsory redundancy may also arise where, having sought volunteers from a 'pool' and the numbers volunteering being less than the number sought, the University decides that it must achieve its objectives by declaring posts in the pool to be compulsory redundant, leading to dismissal of one or more employees in the pool, with redundancy payments set in accordance with this Scheme.
- 2.4 A voluntary redundancy where, having identified the requirement for a redundancy as defined above, or in equivalent circumstances, and having consulted with the appropriate parties regarding the selection of the 'pool' and the criteria for selection, the University seeks volunteers, to be made redundant, from within the pool, and accepts one or more of those

volunteers, with redundancy payments set in accordance with this scheme.

- 2.5 Voluntary arrangements may not be appropriate in all circumstances e.g. where an entire academic or administrative/business unit is closing; where there is a 'pool' of one; and where the university is running a voluntary severance scheme.

3. Redundancy Payments

- 3.1 To qualify for a payment the individual must be an employee of the University, with at least two years' continuous service.
- 3.2 Statutory Redundancy Payments
- 3.2.1 Statutory Redundancy Payments (SRP) for qualifying employees are as follows:
- 3.2.1.1 One and a half's weeks' pay for each complete year of service after reaching the age of 41
 - 3.2.1.2 One week's pay for each complete year of service between the ages of 22 and 40 inclusive, and
 - 3.2.1.3 Half a week's pay for each complete year of service between the ages of 18 and 21 inclusive
- 3.2.2 Payment in respect of the period of notice to which the employee is entitled under their contract of employment (such payment may be in lieu of notice where the employee is not required to work during their period of notice)
- 3.2.3 Any outstanding pay for annual leave accrued but not taken
- 3.3 Employees dismissed for misconduct in accordance with the University's [Disciplinary Policy and Procedures](#) whilst under notice of redundancy or within the trial period in respect of alternative employment will lose their entitlement to redundancy payment.

- 3.4 Under SRP, a week's pay is subject to the relevant statutory limit set at the time of redundancy.
- 3.5 Only service with RGU counts toward the SRP with the following qualification:
 - 3.5.1 A service must be continuous.
 - 3.5.2 A break of up to a week may be disregarded in particular circumstances
 - 3.5.3 Service transferred from another employer to RGU as a result of a formal transfer agreement, where service before joining RGU has been explicitly agreed to be continuous with service after, shall count as continuous
 - 3.5.4 Service explicitly transferred under a TUPE transfer arrangement will count as continuous
- 3.6 The ready reckoner for estimating redundancy payment entitlements can be found in Appendix A.

4. RGU Enhanced Redundancy Payments

- 4.1 The University will use the following basis for calculating redundancy payments:
 - 4.1.1 Where an employee's earnings are equal to or below the statutory limit the actual week's pay, will be used as the basis for calculating redundancy payments.
 - 4.1.2 Where an employee's earnings exceed the statutory upper limit, the University will pay the statutory limit + 50% of the difference between that and actual pay. Except in cases where the total cost of redundancy exceeds the 1 year pay back. In these cases, the University will base redundancy payments on the statutory limit or actual pay, whichever is lower.
- 4.2 In addition, in all cases of voluntary redundancy, the University will exercise its discretion to deploy a multiplier to the Compulsory Redundancy entitlement contained in the ready reckoner, subject to certain qualifying conditions as follows:

- 4.2.1 The total combined compensation payments in any individual case shall not exceed a year's pay
- 4.2.2 In the event of an employee under notice of redundancy, having been accepted for voluntary redundancy by the University, leaving earlier than the date of redundancy notified or agreed, without the University's consent, or otherwise being in breach of contract, the additional enhancement) shall not apply.
- 4.3 In all cases where a redundancy enhanced payment is made the employee will be required to sign a Settlement Agreement.

5. Pension Implications

- 5.1 In the event that an individual is subject to a Compulsory redundancy or is considering making an application to be considered for Voluntary Redundancy, they may, subject to the qualification rules of the relevant scheme, also be entitled to access their pension entitlements. In all cases the benefits payable will be those accrued to the date of redundancy and no additional compensatory payments will be made.
- 5.2 The University operates three pension schemes as follows:
 - 5.2.1 The Scottish Teachers' Superannuation Scheme (STSS)
 - 5.2.2 [The Local Government Pension Scheme \(LGPS\)](#)
 - 5.2.3 [Legal and General Scheme](#)
- 5.3 Where the employee being made redundant has reached the relevant age to automatically qualify to receive their pension benefits the University may be required to compensate the scheme as a result of paying pension benefits early.

- 5.4 Therefore, in making decisions about redundancies where there are pension implications, the University will need to consider that the efficiency delivered by the redundancy is not outweighed by the financial compensation that will need to be made to the relevant pension scheme.
- 5.5 This is referred to as the “payback period”. This is the period determined by the University over which the full costs of the redundancy, including payments to the employee and to the pension scheme (see Appendix 1) are recovered by the non-replacement of the post.
- 5.6 Typically, this will be one year but may be more or less in particular circumstances. The decision on the ‘payback’ period for any programme of redundancy is entirely at the University’s judgement.
- 5.7 For individuals who have been made redundant (whether VR or CR) from the University and fall into these categories, a number of implications must therefore be considered as outlined in section 5, 6 & 7.

6. The Scottish Teachers Superannuation Scheme (STSS)

- 6.1 For those in the STSS who are aged 50 – 54 there is no right to access pension benefits.
- 6.2 For those aged over 55, the individual does not require employer consent to apply to receive their benefits.
- 6.3 In these circumstances the individual would receive an actuarially reduced pension with no cost implications for the University.
- 6.4 However, in certain circumstances the University may exercise discretion to award an unreduced pension.
- 6.5 Where this discretion is allowed the scheme will actuarially reduce the benefits payable to the individual unless the University agrees to compensate the scheme for the individual drawing

their benefits early.

6.6 Clearly therefore the cost of compensating the scheme in this way would need to be considered by the University in deciding whether or not to exercise this discretion.

7. The Local Government Pension Scheme (LGPS)

7.1 For those in LGPS, in the case of a redundancy situation (VR or CR), the individual would automatically receive their accrued benefits from the age of 50 or 55 depending on the date they joined the scheme, (i.e. they cannot elect to defer this), and the University would have to compensate the scheme for paying out the benefits early.

7.2 Clearly therefore the cost of doing so would need to be considered by the University in deciding whether or not to accept a VR application for an individual who falls within this category.

8. Legal and General Scheme

8.1 This pension scheme became the default scheme for professional & support and research staff from September 2023. To qualify for a redundancy payment, employees must have 2 years continuous service and therefore any current staff in this scheme will not qualify for redundancy until September 2025 at the earliest.

9. Early Payment of Pension Costs

9.1 Where the University is required to make a compensatory payment to the pension scheme, any enhanced redundancy payment which the individual would ordinarily be entitled to will take into account the cost to the University of the early payment of pensions as follows:

- 9.1.1 Where the total combined payments (including the cost to the University of any relevant early payment of pension) exceed a year's pay, the discretionary element shall be reduced to an amount that, together with the SRP, equals a year's pay.
- 9.1.2 In the case of the LGPS, subject to certain age and/or service conditions set out in the scheme regulations, early payment of pension and lump sum is automatic, and the University must bear certain costs, arising from early payment, called the 'strain on fund' charge. In bearing these costs, the University considers that it is reasonable to offset all those costs, arising from early payment of pension, against any discretionary redundancy payment element.
- 9.1.3 In the case of the STSS, the University must also bear certain costs, arising from early payment, to ensure that the accrued pension is not actuarially reduced. In bearing these costs, the University considers that it is reasonable to offset all those costs, arising from early payment of pension, against any discretionary redundancy payment element.
- 9.2 Some relevant examples are provided in Appendix 1. Whilst every effort has been made to cover the main categories of employees who are likely to be affected, these are intended for illustration purposes and cannot therefore be guaranteed to reflect the final payments as they relate to individual situations. Furthermore, these may be subject to change depending on the relevant tax and legal conditions which prevail at any given time.
- 9.3 Official estimates and final quotations can only be provided via the relevant HR Business Partner, (who will source appropriate estimates from the particular pension scheme concerned) and with the approval of the Director of HR and the Director of Finance.

10. Other Guidance

10.1 Trial Periods

- 10.2 Employees under notice of redundancy may seek and, if offered, take up the option of an agreed trial period in a post which offers prospective suitable alternative employment (see separate redundancy procedure)
- 10.3 No compensation shall be due to an employee who accepts an offer of suitable alternative employment after an agreed trial period, and then resigns for whatever reason.
- 10.4 Where the employee declines prospective suitable alternative employment, on reasonable grounds, after completing an agreed trial period, all SRP and /or discretionary entitlements under the scheme shall be retained. However, where an employee unreasonably refuses the offer of suitable alternative employment, with or without a trial period, the University reserves the right not to make statutory, or discretionary, redundancy payments.

11. Other Circumstances

- 11.1 There may be other personal circumstances which arise but do not fit exactly the circumstances described above. In these situations, equivalent principles shall apply, save that the University will be entitled to reconsider the exercise of its discretions, always recognising the need for broad equity of treatment.

12. Notice Periods

- 12.1 The University will normally give full statutory notice of redundancy or contractual notice if this is better. There may however be circumstances that give rise to pay in lieu of notice. For the avoidance of doubt, this is treated as 'pay' by the Inland Revenue in most circumstances, and is therefore subject to normal deductions.

13. Taxable Status of Redundancy Compensation

13.1 Under current tax law requirements in 2024, ordinarily the first £30,000 of any statutory or discretionary redundancy compensation scheme, made by an employer to an employee, is free of income tax or any other deduction. This does not include the costs of early payment of pension (where appropriate) which the University meets. Any amount over £30,000 is subject to tax at the individual's prevailing rate. Where payment of pension from the relevant pension scheme is involved, the pension counts as income for tax purposes. The employee is responsible for ensuring that all personal Inland Revenue declarations are made. NB the £30,000 figure is set by Inland Revenue and RGU has no discretion in the application of this.

14. Review

14.1 This procedure will be reviewed every three years or as required.

APPENDIX A: Ready Reckoner for calculating a Compulsory Redundancy payment

<i>Service (Years)</i>																				
<i>Age (years)</i>	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
17	1																			
18	1	1%																		
19	1	1%	2																	
20	1	1%	2	2%																
21	1	1%	2	2%	3															
22	1	1%	2	2%	3	3%														
23	1%	2	2%	3	3%	4	4%													
24	2	2%	3	3%	4	4%	5	5%												
25	2	3	3%	4	4%	5	5%	6	6%											
26	2	3	4	4%	5	5%	6	6%	7	7%										
27	2	3	4	5	5%	6	6%	7	7%	8	8%									
28	2	3	4	5	6	6%	7	7%	8	8%	9	9%								
29	2	3	4	5	6	7	7%	8	8%	9	9%	10	10%							
30	2	3	4	5	6	7	8	8%	9	9%	10	10%	11	11%						
31	2	3	4	5	6	7	8	9	9%	10	10%	11	11%	12	12%					
32	2	3	4	5	6	7	8	9	10	10%	11	11%	12	12%	13	13%				
33	2	3	4	5	6	7	8	9	10	11	11%	12	12%	13	13%	14	14%			
34	2	3	4	5	6	7	8	9	10	11	12	12%	13	13%	14	14%	15	15%		
35	2	3	4	5	6	7	8	9	10	11	12	13	13%	14	14%	15	15%	16	16%	
36	2	3	4	5	6	7	8	9	10	11	12	13	14	14%	15	15%	16	16%	17	
37	2	3	4	5	6	7	8	9	10	11	12	13	14	15	15%	16	16%	17	17%	
38	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	16%	17	17%	18	
39	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	17%	18	18%	

40	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	18%	19
41	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	19%
42	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
43	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
44	3	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%	21%
45	3	4%	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
46	3	4%	6	7%	8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%	21%	22%
47	3	4%	6	7%	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
48	3	4%	6	7%	9	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%	21%	22%	23%
49	3	4%	6	7%	9	10%	12	13	14	15	16	17	18	19	20	21	22	23	24
50	3	4%	6	7%	9	10%	12	13%	14%	15%	16%	17%	18%	19%	20%	21%	22%	23%	24%
51	3	4%	6	7%	9	10%	12	13%	15	16	17	18	19	20	21	22	23	24	25
52	3	4%	6	7%	9	10%	12	13%	15	16%	17%	18%	19%	20%	21%	22%	23%	24%	25%
53	3	4%	6	7%	9	10%	12	13%	15	16%	18	19	20	21	22	23	24	25	26
54	3	4%	6	7%	9	10%	12	13%	15	16%	18	19%	20%	21%	22%	23%	24%	25%	26%
55	3	4%	6	7%	9	10%	12	13%	15	16%	18	19%	21	22	23	24	25	26	27
56	3	4%	6	7%	9	10%	12	13%	15	16%	18	19%	21	22%	23%	24%	25%	26%	27%
57	3	4%	6	7%	9	10%	12	13%	15	16%	18	19%	21	22%	24	25	26	27	28
58	3	4%	6	7%	9	10%	12	13%	15	16%	18	19%	21	22%	24	25%	26%	27%	28%
59	3	4%	6	7%	9	10%	12	13%	15	16%	18	19%	21	22%	24	25%	27	28	29
60	3	4%	6	7%	9	10%	12	13%	15	16%	18	19%	21	22%	24	25%	27	28%	29%
61*	3	4%	6	7%	9	10%	12	13%	15	16%	18	19%	21	22%	24	25%	27	28%	30