Redundancy Compensation Payments Scheme

1.   The Purpose of this Scheme

1.1   This scheme sets out the arrangements for compensation payments including early access to pension for employees dismissed by reason of redundancy.

2.   Scope

2.1   This scheme applies to all employees of the Council who, at the date of termination of their employment, have at least two years' of continuous service.

3.   Responsibilities

3.1   Responsibility of the HR Service
HR will provide calculations to employees at risk of redundancy or those considering submitting an application for voluntary redundancy including any pension implications. It is also HR's responsibility to review and update this policy in line with new legislative requirements.

4.   Eligibility

4.1   The following conditions must be met if an employee is to be eligible for a payment:

- The employee is aged over 16 with at least two years' qualifying employment

- The employee's employment is terminated on the grounds of redundancy

4.2   Employees shall not be entitled to redundancy payments or early access to their pension on the grounds of redundancy if:

- They are dismissed for reasons of misconduct, with or without notice;
- At their employment termination date they have obtained without a break, or with a break not exceeding four weeks, suitable alternative employment with the Council or with a body listed under the Redundancy Payments (Continuity of Employment in Local Government)(Modification) Order 1999;
- They unreasonably refuse to accept, or apply for, suitable alternative employment with the Council or another 'Modification Order' body;
- Leave their employment before expiry of notice, except if they have written confirmation agreeing early release from their line manager.

4.2   In addition, where the Council is entering into an arrangement with another organisation and employees are to be transferred to another employer under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE), employees will not be entitled to redundancy if they do not wish to transfer.

5   The Restriction of Public Sector Exit Payments Regulations 2020

5.1   In line with the above regulations which came into force in November 2020, all exit payments will be limited to a total combined cost of £95,000. Exit payments will include:
  - Redundancy payments (including statutory redundancy payments),
  - Severance payments,
  - Pension strain costs
  - and other payments made as a consequence of termination of employment.

The cap applies to all exit payments that arise within a 28 day period and the regulations cover the process to follow if an individual has multiple exits from public sector employment within 28 days.

6.   **Redundancy payment**

6.1   The redundancy payment will take the form of a lump sum, dependant on the employee's length of service at the termination of employment date. The lump sum will be subject to a maximum payment of 104 weeks pay (or a maximum payment £95,000 - inclusive of any other exit payment outlined in section 5 - whichever is lower) and will be calculated on the basis of four weeks' pay for each complete year of service subject to a minimum of two years' service and a maximum of 26 years' service being counted.

6.2   In accordance with the Council's Pension Policy Statement, the Council has adopted the discretion to award additional pensions (up to the pension limit defined in the regulations) to employees in the Local Government Pension Scheme who have more than two year's service. However the Council will only exercise this discretion in exceptional circumstances and only at the discretion of the Chief Executive and Town Clerk or Director of Resources. In the event that this is granted, employees would only be entitled to the statutory redundancy entitlement as set out in Appendix 1 and not the enhanced entitlement set out in 6.1.

7   Redundancy and early access to pension for employees aged over 55 who are members of the Local Government Pension Scheme

7.1   Employees aged 55 or over who are members of the Local Government Pension Scheme and who are made redundant with more than two year's service will be able to receive the full value of their pension without the actuarial reduction that might occur with a resignation not linked to redundancy. The cost of early release of their pension (known as the pension strain) will be paid by the Council.

7.2   In the event where an employees redundancy and pension strain combined cost exceed the £95,000 exit cap, the employees enhanced redundancy payment will be reduced to ensure that both payments combined do not exceed the exit cap.

8   Retrospective pay awards

8.1   If a retrospective pay award is notified after the employment termination date, the redundancy payment and/or pension will be recalculated and any arrears due paid.

9   Taxation of Payments

9.1 All redundancy payments will be subject to HMRC rules.

9.2 Current rules mean that redundancy lump sum payments and any additional payments arising from redundancy are, in aggregate, tax and national insurance free for the first £30,000. Amounts over £30,000 are taxable but are free from national insurance.

9.3 Lump sum pension benefits are not taxable but annual pensions are taxable. Any employee who receives a return of contributions will have to pay tax.

10   Definition of Terms

10.1   A week's pay – A week's pay is calculated in accordance with s220 of the Employment rights Act 1996. Overtime does not count unless the Council is contractually bound to provide it and the employee is contractually bound to work it.

10.2   Calculating a weeks pay

If the employee's earnings change from one week to another because of piecework or productivity bonus arrangements, a week's pay is worked out by multiplying the number of hours normally worked in a week by the average hourly earnings over the 12 complete weeks of work before the calculation date. Only hours actually worked are taken into account. If the hours used in the calculation include hours outside normal working hours and paid at higher rates, the higher rate is ignored and the hours are worked out at the normal basic rate.

10.3 If the employee's normal working hours vary from week to week because of shift work, and earnings vary as a result, a similar calculation is done but the average hourly earnings are multiplied by the average weekly hours over the same 12 weeks. If there are no fixed working hours, a week's pay will be the average weekly earnings in the 12 weeks before the calculation date.

10.4 For employees paid a regular salary this is the weekly amount payable on the date that either contractual notice of redundancy is given or the date on which employment ends (the calculation date) in the event that early release is granted. The payment will include any contractual enhancement provided to the employee in line with S220 of the Employment Rights Act. Overtime payments do not count unless the Council is contractually bound to provide it and the employee is bound to work it.

10.5   Continuous Service – The Employment Rights Act 1996 (ERA) provides that an employee must have two years' continuous service with the same employer in order to qualify for a redundancy payment (calculated as at the relevant date of redundancy)

10.6 Under s.216 of the ERA, any period during which an employee takes strike action will not count towards continuous service. However, continuity of service will not be broken.

10.7   Qualifying Local Government Service – In calculating entitlement to, and the amount of, a redundancy payment all continuous local government service and other relevant service will be counted.

10.8   The relevant service is with local government employers and bodies named on the Redundancy Payments (Continuity of Employment in Local Government) (Modification) Order 1999 (as amended).

Revised October 2020

Approving Body & Date
JCC
Executive

Appendix 1

Ready reckoner for statutory redundancy payments																			
Service (years)	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Age (years)																			
18	1	1½	2	-															
19	1	1½	2	2½	-														
20	1	1½	2	2½	3	-													
21	1	1½	2	2½	3	3½	-												
22	1	1½	2	2½	3	3½	4	-											
23	1½	2	2½	3	3½	4	4½	5	-										
24	2	2½	3	3½	4	4½	5	5½	6	-									
25	2	3	3½	4	4½	5	5½	6	6½	7	-								
26	2	3	4	4½	5	5½	6	6½	7	7½	8	-							
27	2	3	4	5	5½	6	6½	7	7½	8	8½	9	-						
28	2	3	4	5	6	6½	7	7½	8	8½	9	9½	10	-					
29	2	3	4	5	6	7	7½	8	8½	9	9½	10	10½	11	-				
30	2	3	4	5	6	7	8	8½	9	9½	10	10½	11	11½	12	-			
31	2	3	4	5	6	7	8	9	9½	10	10½	11	11½	12	12½	13	-		
32	2	3	4	5	6	7	8	9	10	10½	11	11½	12	12½	13	13½	14	-	
33	2	3	4	5	6	7	8	9	10	11	11½	12	12½	13	13½	14	14½	15	-
34	2	3	4	5	6	7	8	9	10	11	12	12½	13	13½	14	14½	15	15½	16
35	2	3	4	5	6	7	8	9	10	11	12	13	13½	14	14½	15	15½	16	16½
36	2	3	4	5	6	7	8	9	10	11	12	13	14	14½	15	15½	16	16½	17
37	2	3	4	5	6	7	8	9	10	11	12	13	14	15	15½	16	16½	17	17½
38	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	16½	17	17½	18
39	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	17½	18	18½
40	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	18½	19
41	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	19½
42	2½	3½	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½
43	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
44	3	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½
45	3	4½	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
46	3	4½	6	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½
47	3	4½	6	7½	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
48	3	4½	6	7½	9	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½	23½
49	3	4½	6	7½	9	10½	12	13	14	15	16	17	18	19	20	21	22	23	24
50	3	4½	6	7½	9	10½	12	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½	23½	24½
51	3	4½	6	7½	9	10½	12	13½	15	16	17	18	19	20	21	22	23	24	25
52	3	4½	6	7½	9	10½	12	13½	15	16½	17½	18½	19½	20½	21½	22½	23½	24½	25½
53	3	4½	6	7½	9	10½	12	13½	15	16½	18	19	20	21	22	23	24	25	26
54	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	20½	21½	22½	23½	24½	25½	26½
55	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22	23	24	25	26	27
56	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	23½	24½	25½	26½	27½
57	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25	26	27	28
58	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	26½	27½	28½
59	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28	29
60	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	29½
61+	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	30