

TO: EMPLOYMENT COMMITTEE
28 OCTOBER 2015

**PUBLIC SECTOR EXIT PAYMENT CAP
(Director of Corporate Services – HR)**

1 PURPOSE OF REPORT

- 1.1 To bring to the Committees attention a potential legislative change in the governments approach to public sector severance payments.

2 SUPPORTING INFORMATION

- 2.1 In 31 July, the Government issued a consultation document on a proposal to place a cap of £95,000 on the amount that public sector employees could receive if they were made redundant. This cap will also apply to most other payments made for the termination of employment for other reasons including costs incurred by the employer in relation to pension strain on fund costs.

The closing date for responses was 27 August and the government appears to be considering those responses as nothing further has been heard. If any legislation is to result from this, it is unlikely to be until 2016 at the very earliest.

- 2.2 Whilst the Government says it recognises that exit payments are important in helping employers facilitate reform and react of new circumstances while providing support for employees to help bridge the gap to new employment, it wishes to ensure that exit payments are proportionate and provide value for money.

- 2.3 It is proposed that the cap will apply to:

- A cash lump sum, such as a redundancy payment in cases of voluntary or compulsory redundancy, or a compensation payment in cases of other voluntary exit.
- The costs associated with early access to an unreduced pension.
- Non-financial and other benefits, for example, where an employer offers other benefits such as additional paid annual leave at the end of employment.
- Payments in lieu of notice.
- Payments relating to the cashing up of outstanding entitlements, such as untaken leave or allowances.

- 2.4 Clearly any current severance policy of the Councils would be subject to statutory requirements including any new approaches agreed by government if and when measures such as the one described above come into effect.

3 EQUALITIES IMPACT ASSESSMENT

- 3.1 If there is a change to the law governing severance payments it is assumed the government will have carried out its own EIA although the change will have been constructed on a fair and equitable basis as it applies to all those employed in the public sector.

4 STRATEGIC RISK MANAGEMENT ISSUES

- 4.1 To be identified in any future report if there is a change to the legislation.

Background Papers

Contact for further information

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