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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont

16 September 2015

Dear Shane,

PROPOSED CAP ON PUBLIC SECTOR EXIT PAYMENTS: GOVERNMENT CONSULTATION AND LEGISLATIVE OPTIONS IN NORTHERN IRELAND.

I am writing to notify the Committee of a HM Treasury consultation on proposals to cap redundancy/exit payments in public sector employments. These proposals will have implications for the public sector in Northern Ireland.

Background

On 23 May 2015 the Chancellor of the Exchequer announced the Government would move to end six figure redundancy exit payments for public sector workers.

Under the proposal the total value of redundancy exit payments that an individual exiting public sector employment on terms of redundancy or early exit may receive would be capped at £95,000.

Scope of the policy

The proposal is that the cap would cover the wide range of exit payments made in relation to leaving employment including for; voluntary and compulsory redundancy; ex gratia and special severance payments, and compensation in lieu of notice.

Payments in respect of death or ill-health and injury would not be in scope of the policy.

The reach of the proposal is in line with changes to public sector exit arrangements already implemented in the Small Business, Enterprise and Employment Act in March 2015 during the tenure of the Coalition Government. These changes introduced a baseline requirement for the recovery of redundancy/early exit payments from highly paid individuals who leave public service employment and then return to a similar posting within a specified period.

In that instance the Assembly passed a LCM for the recovery policy to be legislated for in Northern Ireland in the clauses of the Westminster legislation.

Consultation

HM Treasury has conducted a consultation on the detail of this change. The consultation sought views on the proposed scope, level and design of the cap. The consultation ran from 31 July 2015 until 27 August 2015. Full details are available on the HM Treasury website at:

<https://www.gov.uk/government/consultations/consultation-on-a-public-sector-exit-payment-cap>

Northern Ireland approach

Public service pension and compensation arrangements are devolved. The conventional approach is to provide broadly comparable pension and compensation arrangements to those operated for the equivalent public service employments in Great Britain.

The principle intent behind this proposal is to ensure public sector exit payments are fair, proportionate, and are seen to represent value for money for all tax payers as a whole. This principle was acknowledged by the Assembly at its previous agreement for recovery of public sector exit payments in circumstances of re-employment, which was accomplished in the aforementioned Small Business, Enterprise and Employment Act in March 2015.

Consideration will now need to be given to an appropriate approach to limiting public sector exits payments in Northern Ireland.

Legislative Options

It is within the scope of the Northern Ireland administration to legislate on this matter in an Assembly Bill. Alternatively the relevant Northern Ireland clauses to implement the policy to cap redundancy exit payments could be incorporated into the Westminster Enterprise Bill. This approach would require Assembly agreement for a Legislative Consent Motion.

Initial engagement at official level has indicated that HM Treasury preferred position is for a single United Kingdom wide legislative approach to implement this policy.

The Department alerted public sector schemes' representatives in Northern Ireland to the commencement of the HM Treasury consultation on 31 July 2015. Schemes and employers were advised to update their employees and other relevant stakeholders. Public service Trades Unions represented on DFP's Collective Consultation Working Group were also updated directly on the consultation.

Departmental officials are available to provide further evidence to the Committee on this emerging issue as required. In the interim you may wish to bring this update to the attention of the Committee.

Yours sincerely

GEAROID CASSIDY
Departmental Assembly Liaison Officer