Northern Ireland Assembly

Committee for Education
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| **To:** | **Shane McAteer**<br>**Clerk to the Committee for Finance and Personnel** |
| **From:** | **Peter McCallion**<br>**Clerk to the Committee for Education** |
| **Date:** | **26 November 2015** |
| **Subject:** | **LCM cap on public sector exit payments** |

Shane,

At its meeting on 25 November 2015, the Committee noted correspondence from the Education Authority highlighting its concerns in respect of the anticipated impact of the public sector exit payment cap.

The Committee agreed to forward this correspondence to the Committee for Finance and Personnel for its information.

The correspondence is enclosed.

Regards

**Peter McCallion**
**Committee Clerk**
**Enc**

**Chief Executive's Office**

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Education Authority
Údarás Oideachais
Lear Owerance

Your ref 2352

Mr Peter McCallion
Clerk
Committee for Education
Room 430, Parliament Buildings
Ballymiscaw
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20 November 2015

Dear Mr McCallion

**RE: PROPOSALS TO CAP THE TOTAL VALUE OF EXIT PAYMENTS FOR PUBLIC SECTOR EMPLOYEES**

I have outlined below the Education Authority's response to the clarification sought by the Committee for Education which is outlined in your correspondence of 6 November 2015.

On 12 October 2015 local government employers in Northern Ireland received correspondence from the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) to inform them of the potential impact of proposals to cap the total value of exit payments in public sector employment at £95,000. I understand that a Legislative Consent Motion is currently being considered by the NI Executive to adopt the provisions of the Westminster legislation in Northern Ireland.

The Authority further understands that the proposed cap of £95,000 applies to the total cost of all forms of exit payments available to individuals leaving public sector employment, including the severance payment received by an employee and any associated payment made to NILGOSC for early payment of pension. NILGOSC has highlighted to local government employers that the application of the proposed cap could impact not only on senior staff but also on support staff earning as little as £27,000, depending on the employee's salary, age, gender and length of service. For example, where a female member of the Local Government Pension Scheme (LGPS), aged 55, with 35 years' service and earning £27,000 per year is made redundant with a severance payment of up to £54,000, the estimated additional pension cost to the employer is just over £95,000. Therefore, the aggregated cost of severance for such a member of staff is up to £150,000, well in excess of the proposed cap. As a result, the employee would have their current entitlement reduced by £55,000.

This raises a number of potential issues and concerns for the Education Authority. Firstly, EA is working to deliver significant budget savings through the reduction of operating costs, reorganisation of services and maximising the reduction in staff through the operation of a voluntary severance scheme. The immediate concern is that the introduction of the proposed cap on exit payments could seriously impact on the Authority's ability to facilitate staffing reductions through voluntary severance. Less favourable severance compensation is likely to become a significantly less attractive option to those employees affected, thereby reducing the level of interest from staff after the cap is introduced. This could result in EA having to utilise compulsory redundancy to deliver the level of cost savings required. It is also important to note that under the current voluntary exit scheme, EA is experiencing a 34% rejection rate on offers of voluntary severance. It would be reasonable to assume that this will increase significantly if the cap of £95,000 is introduced.

Secondly, in advance of the imposition of a £95k cap, EA would expect to see new staff coming forward and volunteering for release who had not previously expressed an interest. The Authority is also likely to come under pressure from those staff who expressed an interest in tranche 1 but cannot be approved for release by EA at this point as their release is dependent on restructuring of senior management and service reorganisation. Both these groups of staff would be seeking to leave before the implementation of the cap. This situation would be difficult for the Authority to manage if a decision was taken to release large numbers of these staff through voluntary severance in advance of the cap being introduced, taking the following into consideration:

- all voluntary severance is subject to the availability and release of funding;
- services and service delivery could be adversely impacted as a result; and
- industrial relations and staff morale would be adversely impacted at a time when the Authority is engaging positively in terms of putting in place new structures, service delivery models and delivering savings.

Finally EA's change programme of restructuring and reorganisation will continue beyond 31 March 2016. This raises a fairness and equity of treatment issue in relation to staff exiting the Authority, whereby staff could exit with different severance packages depending on whether they are released before or after the date of the introduction of the new cap, particularly where staff have volunteered to be released before that date and are prevented from doing so because their post cannot be suppressed at that specific time.

I have written to colleagues in the Department of Education to ensure that they are aware of these specific issues.

Yours sincerely

[redacted]

**GAVIN BOYD**
**CHIEF EXECUTIVE**


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