



COMBINED FIRE AUTHORITY

14 JUNE 2019

RESTRICTING EXIT PAYMENTS IN THE PUBLIC SECTOR: CONSULTATION ON IMPLEMENTATION OF REGULATIONS

REPORT OF CHIEF FIRE OFFICER

PURPOSE OF THE REPORT

1. To inform members of the Government's consultation to implement the cap on the exit payments that certain public sector employees could receive when leaving their organisation.

BACKGROUND

2. In July 2015 the Government launched a consultation on a proposed a cap of £95,000 on exit payments across the public sector. Subsequently the government legislated for a cap of £95,000 on exit payments in the public sector in the Small Business Enterprise and Employment Act 2015 as amended by the Enterprise Act 2016. The 2015 act sets out the duty to implement the cap through secondary legislation.
3. This consultation sets out the proposed content of the secondary legislation and requests comments on the details of those regulations. The consultation is not asking for comment on whether or not an exit payment cap should be introduced or not.
4. The consultation will run for twelve weeks and will close on 3 July 2019. A copy of the consultation is attached as Appendix A.

SUMMARY OF THE PROPOSALS

5. The Small Business Enterprise and Employment Act 2015 enables HM Treasury to make regulations restricting public sector exit payments to a maximum of £95,000. The draft regulations define the types of payments intended to be subject to the cap, how the proposed cap is intended to operate, and the scope of the regulations.
6. The cap will be set at £95,000 and will cover payments made in relation to leaving employment including In order to determine the scope of the cap, HM Treasury will be guided by the Office for National Statistics (for National Account purposes) classification of bodies within the central and local government, and non-financial public corporation sectors. There will be a limited number of exemptions.
7. The government is proposing a staged process of implementation across the public sector. The first stage will capture most public sector employees, before extending the cap to the rest of the public sector in the second stage. Prioritising in this way will ensure most exit payments in the public sector are limited to £95,000 without further delay, while work continues on expanding the scope of the regulations.

8. The following categories of public sector employer are within scope of these regulations where they fall within the responsibility of the UK government, regarding their employment:

- the UK Civil Service, its executive agencies, non-ministerial departments and non-departmental public bodies (including Crown non-departmental public bodies and Her Majesty's Prison and Probation Service);
- the NHS in England and Wales;
- academy schools;
- local government including fire authorities' employees and maintained schools;
- police forces, including civilian and uniformed officers.

IMPLICATIONS FOR THE AUTHORITY

9. Fire and rescue authorities (FRAs) are within scope of the regulations and therefore would be impacted by the regulations should they be introduced. This could limit the freedoms that are available to the Authority to make efficiencies by encouraging staff to exit the organisation as part of any restructuring arrangements. The cap is unlikely to apply only to senior managers once payments to pension schemes for early access are taken into account.

10. The government is, however, considering an exemption for payments made by FRAs to their pension fund account in respect of firefighters who are unable to maintain operational fitness through no fault of their own and where the FRA has agreed to put into payment an authority initiated early retirement pension. This will honour the government's previous commitment that members of the 2006 and 2015 Firefighters' Pension Schemes in these circumstances should be awarded an unreduced pension if they cannot be redeployed.

DRAFT CONSULTATION RESPONSE

11. A draft response to the consultation is attached as Appendix B.

RECOMMENDATIONS

13. Members are requested to:

- (a) **note** Government's consultation to implement the cap on the exit payments and the associated impact on the Authority;
- (b)
- (c) **approve** the draft response included as Appendix B.

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