

Response published to consultation on public sector severance cap

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The government has published its response to the consultation over plans to cap public sector exit payments at £95,000.

The response, published by the government on 16 September 2015, confirms that it plans to proceed with the cap. However, there are a number of notable exceptions to the rule. Firstly, employees of some public sector employers are carved out, namely: the armed forces; the BBC; Channel 4; the Bank of England; and the Financial Conduct Authority. There are limits also to the circumstances in which the cap will apply. There will be no cap, for instance, where the employer is settling an unfair dismissal or breach of contract claim, nor where payments follow work-related death or injury, ill-health retirement or a TUPE transfer.

When the cap does apply, it will take into account all payments in aggregate. This means that any redundancy payments, ex gratia payments and pay in lieu of notice will be caught. So too will pay for accrued but untaken holiday, the value of other benefits such as outplacement, and the costs of providing early access to a pension.

The plans are intended to form part of the Enterprise Bill 2015-16, which entered the committee stage on 26 October 2015. It will also include a requirement that employers in the public sector publish on an annual basis the details of all exit payments they have made to departing employees.

HM Treasury: Public sector exit payments: response to the consultation

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/464367/Public_sector_exit_payments_response.pdf

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