

To: Human Resources

Circular 14/2015  
10 August 2015

At: All Employing Authorities

Dear Colleagues,

**Government Proposal to Cap Severance Costs at £95,000**

On 31 July 2015 HM Treasury issued a consultation proposing legislation to cap the total value on exit payments in public sector employment. The consultation document can be accessed at: <https://www.gov.uk/government/consultations/consultation-on-a-public-sector-exit-payment-cap>. The time period for the consultation is very short, it closes before noon on 27 August 2015.

If you are currently running, or are intending to run, a severance scheme you may wish to respond to this consultation. The proposed cap of £95,000 applies not only to a lump sum received by an exiting employee but also includes any payment which you may make to NILGOSC for the early payment of pension. If a scheme member is made redundant and is aged 55 or over, they will be entitled to receive a redundancy pension. This will result in a 'strain-cost' which must be paid by the employer and is included in the total cost limited by the proposed cap. In the last 3 months 10% of the redundancy pensions paid by NILGOSC on behalf of our employers have resulted in strain costs exceeding £95,000 therefore it is not an uncommon event. It is possible that such a cap would have an impact on any planned severance arrangements you either have in place or would be planning to implement.

Yours sincerely



David Murphy  
Chief Executive