

Consultation on process for public sector exit payments now open

By [Jo Laxton](#)

Pupil, 3PB Barristers

Introduction

1. The Government has opened a consultation exercise to garner input on an administrative approvals process designed to create scrutiny and afford assurance in relation to certain public sector exit decisions.

Policy Background

2. The consultation (which can be found [here](#)) is introduced by a statement which records that while exit payments have an important role to play in public sector organisational change, payments should be fair and proportionate, representing value for money.
3. The introduction to the consultation continues by reporting that Government has expressed concern at the number of very large exit payments made to individuals. It is reported that the value of payments has, in some cases, exceeded by several times average annual public sector earnings.
4. Accordingly, there is a current commitment to limiting these large payments as well as creating a recovery mechanism for such payments in certain circumstances.
5. Against this background, the consultation sets out new draft guidance (which can be found [here](#)) from HM Treasury, and it is on this which comment is sought.

Proposals

6. While the detail of the draft guidance is outside the scope of this note, key aspects include-
 - a. a new condition that payments of more than £95,000 (including "relevant statutory, contractual or discretionary payments") require Secretary of State approval following submission of a business case;

- b. a requirement for 'enhanced reporting' to HM Treasury providing an outline of exits where the total exit payment exceeds £95,000;
- c. a proposed update to the existing approval process applicable to 'special severance payments' involving HM Treasury approval;
- d. a proposed requirement for agreement by both the Secretary of State and HM Treasury where a total exit payment includes both a 'special severance payment' and exceeds £95,000;
- e. an expectation that consideration is given to the circumstances when (and mechanisms for) recovery of agreed special severance payments is appropriate.

Not a new issue

- 7. The Government announced an intention to introduce a cap on public sector exit payments in 2015, although legislation did not follow until 2020 (in the form of Restriction of Public Sector Exit Payments Regulations 2020).
- 8. The legislation was, however, repealed very shortly after being implemented following criticism in terms of how the legislation would work in practice.
- 9. While still only in draft form it is clear that this issue remains an area of focus, and the draft guidance is the next attempt at achieving value for money for the tax-payer. Notably the executive summary to the Consultation documents states that the government will keep its policy under review and "assess whether further legislation is needed in due course to deliver the stated policy goals of ensuring value for money for taxpayers".

Consultation period

- 10. The Consultation was published on 8 August 2022 and closes on 17 October 2022

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Joanna Laxton

Pupil Barrister
3PB Barristers

0330 332 2633
Joanna.laxton@3pb.co.uk
3pb.co.uk