

MC2016/05621



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon George Howarth MP  
House of Commons  
London  
SW1A 0AA

11 MAR 2016

Dear George,

Thank you for your email of 17 February to Sajid Javid enclosing correspondence from your constituents about public sector exit payments. Your email has been passed to the Treasury and I am replying as the Minister responsible for this policy area.

I understand that your constituents feel strongly about the concerns they raise. I would like to explain why the Government takes a different view.

The Government has noted concerns about the impact of the public sector exit payment cap upon individuals. However, public sector exit payments cost around £2 billion a year and it is important that they are fair, proportionate and provide value for money to the taxpayer that funds them. The proposed cap, amounting to 3.5 times the average public sector salary, will still offer a significant level of compensation and support to an employee. Further, the cap will apply to only a small percentage of public sector exits and it is not fair to expect the taxpayer to continue funding excessive exit costs in those cases.

It is important to note that, even after the introduction of the cap, employees will still be able to receive exit payments including redundancy lump sums and additional pension 'top up' payments up to a value of £95,000. The cap will not have an impact on any pension that has been earned through years of service.

Your constituents also expressed their view that the £95,000 cap will impact upon previously negotiated civil service redundancy terms. The Government recognises that different workforces have different terms and conditions in respect of exits, which have often been arrived at through negotiation. However, more needs to be done to ensure public sector exit payments represent value for money for the taxpayer. The Government does not believe it is fair for taxpayers to continue funding the small minority of exits over £95,000.

Please pass on my thanks to your constituents for making us aware of these concerns.

Yours,  
  
GREG HANDS