

A Severance policy for Scotland

Introduction

The Scottish Government has published a consultation paper 'A Severance Policy for Scotland'. It follows a number of changes to severance arrangements in the public sector to be implemented by the UK government in England. The consultation sets out current practice to manage and control severance arrangements in Scotland and the underpinning policy set out by the UK Government. It outlines four policy options ranging from the status quo to adopting the UK government proposals.

Background

The UK government is making a number of changes to severance payments in England including: capping exit payments; clawing back payments when staff return to work in the public sector; and limiting the size and scope of exit payments. The Scottish Government has powers under UK legislation to make similar changes in Scotland for devolved services, but is under no obligation to do so.

According to the Scottish government's data analysis the number and cost of severance payments has fallen dramatically. Between 2014-15 and 2016-17, the indicative cost of exits across the devolved public sector showed over 1,000 voluntary early severance / voluntary early retirement cases reducing to 264, with related costs coming down from £46 million to £11 million. Very few exit payments in Scotland exceed the UK government's planned threshold, although more would be caught if pension payments were included. In addition, outwith local government, severance schemes already have to be approved by Scottish ministers.

Exit payment cap

The UK government is proposing a cap of £95,000. While such payments are rare in Scotland, the UK government calculation includes the actuarial cost of early unreduced access to pensions and any 'top up', including added years.

This could bring staff on salaries from £25-30,000p.a. within the scope of the cap. In the Scottish Local Government Pension Scheme (SLGPS) this is a statutory entitlement and would therefore breach the 25 year 'no change' guarantee made when the last pension changes were introduced.

Recovery of exit payments

UK Government plan requires higher-earning public sector employees (over £80,000p.a.) to re-pay exit payments if they are subsequently re-engaged by another public sector body within 12 months of leaving. The former employer can recover payments on a tapered basis (for example: if nine months between posts, 75% of monies are recovered). This will particularly impact on the many public sector jobs for which new employment after redundancy is only available in the public sector.

KEY POINTS:

- **The UK government is introducing restrictions to exit payments for staff in the public sector in England.**
- **These include capping exit payments, clawback provisions and limiting the scope and size of payments.**
- **The Scottish government has the power to make similar changes, but is under no obligation to do so.**
- **The Scottish government is consulting over a range of options, ranging from the status quo to copying the UK gov't plans.**
- **This briefing seeks the views of branches and service groups on these options.**



For further information
contact:

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Changing exit payment terms

The UK Government is planning to limit exit payments to three weeks' pay per year of service; cap the maximum salary on which the severance payment is based to £80,000; and to cap the number of months' salary that can be used when calculating exit payments to 15 months. They are also considering capping or abolishing pension 'top ups' and increasing the minimum age at which an employee could receive such a 'top up'.

Consultation Options

The Scottish government consultation identifies some key factors that might influence change including: fair work principles, value for money, consistency and the ability of employers to reshape organisations and deliver services. They suggest four options:

Option 1. Status quo - No reform is required as current compensation arrangements meet best value and deliver against Fair Work principles

Option 2. Non-legislative change - Consider reforms to current devolved compensation arrangements that would improve value for money and deliver on Fair Work principles but which do not require use of Regulations

Option 3. Replicating UK arrangements - Agree to make reforms in line with the reformed Civil Service Compensation Scheme arrangements and the UK Government's proposals to implement a £95,000 exit payment cap and recovery of exit payments for those who earned more than £80,000 and return to the public sector

Option 4. A hybrid approach - Agree to reform using the powers conferred on Scottish Ministers and implement a hybrid of legislative and non-legislative change which could, for example, strengthen existing severance arrangements and/or introduce some form of different cap and/or recovery arrangements.

UNISON Scotland response

Our initial pre-consultation response has emphasised that severance payments are not a significant issue in Scotland and the number and costs have fallen significantly in recent years.

These payments are also part of collective agreements, most of which have already been agreed by Scottish ministers. For example, NHS redundancy terms recognise the monopoly of job prospects for many professions. In some cases changes impinge on statutory provisions covered by the pensions '25 year guarantee'.

The UK government rhetoric suggests that these proposals are aimed at staff on high salaries. However, by including such a wide range of payments they will in practice impact on moderate earners. They also potentially discriminate against long serving staff and women.

Reducing exit payments will inevitably make reorganisation and reform more difficult to achieve. Scotland already has an ageing public sector workforce and the UK government provisions will exacerbate this trend.

Overall, we believe no case has been made for change in Scotland.

Action for Branches

Branches and service groups should consider the Scottish government consultation paper and identify any specific concerns and examples of how the changes outlined could impact on their members and the services they deliver. Comments should be sent to Dave Watson (d.watson@unison.co.uk) **by 5 June 2017.**

Further information

Scottish government consultation paper

<https://consult.scotland.gov.uk/financial-strategy/severance-policy-in-devolved-public-sector/>

UK government proposals

<https://www.gov.uk/government/news/government-reforms-to-public-sector-exit-payments-confirmed>

UNISON update to plans in England

<https://www.unison.org.uk/content/uploads/2017/03/Exit-Payments-Update-March.pdf>



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