

The Restriction of Public Sector Exit Payments Regulations 2020

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16 October 2020

On Wednesday (14 October 2020), The Restriction of Public Sector Exit Payments Regulations 2020 (the “Regulations”) were made into law and will come into force on 4 November 2020.

The Regulations impose a £95,000 cap on payments relating to the termination of public sector employees’ employment, including redundancy payments, ex gratia payments and compensation payments agreed through ACAS. Notable exemptions to the cap include payments relating to death in service, along with any payments made in respect of incapacity as a result of accident, injury or illness.

We now wait to see if the Regulations receive further challenge from bodies representing public sector employees, which have already voiced concerns regarding the new cap. The British Medical Association in particular has been strongly against the introduction of the Regulations, arguing that they are too far-reaching and restrict public bodies from fulfilling their contractual obligations.

As public sector employees’ exit packages over £100,000 amounted to around £200 million in 2017 – 2018, it is likely that the Regulations will result in significant savings for public sector employers moving forward. We await final guidance and Treasury directions on the Regulations which are expected to be issued shortly.

Practical guidance on how this impacts you and what action you will need to take now will follow.

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