

---

# Public sector exit payments: the cap is coming

Published 23 July 2020

The payment of six-figure exit payments to public servants on leaving their employment is not a new phenomenon but, in an era when public sector budgets are under pressure, media exposure of high-value exit payments tend to attract calls for tighter regulation. In most areas of the public sector, proposed exit payments are routinely subject to prior scrutiny by the treasury. However the government's view is that the majority of six-figure exit payments are not good value for money. Following consultation in 2015, draft regulations were issued, proposing that a cap of £95,000 should be applied in most cases.

No further progress was made until May 2019, when a revised draft of the regulations was published, and a second round of consultation was commenced. We explained the changes in our [update](#) at that time.

The government has now published a response to that consultation, but the final regulations and guidance will not be published until they come into force 'at a later date'. The expected changes to the regulations are as follows:

- The original plan to introduce the cap in two stages has been abandoned: when the regulations come into effect, the cap will apply to the public sector bodies listed in the Schedule. Separate rules apply to devolved bodies in Scotland.
- The guidance and directions will provide for mandatory and discretionary waivers which can be applied to relax the cap in some circumstances, usually requiring ministerial approval. Any other relaxation must be approved by HM Treasury.

There have been some high-profile instances of senior public servants receiving substantial exit payments from one role and then taking up new employment, elsewhere in the public sector, shortly afterwards, leading to concerns that they have been over-compensated for their loss of employment. In some sectors, including the NHS, there are measures already in place to claw back some of these payments. However the government has indicated that it intends to issue further regulations to address this issue more widely in the public sector 'in due course'.

## Authors



**Guy Bredenkamp**

Newcastle

+44 (0) 191 404 4076

[gbredenkamp@dacbeachcroft.com](mailto:gbredenkamp@dacbeachcroft.com)



**James Rhodes**

Leeds

+44 (0)113 251 4795

[jrhodes@dacbeachcroft.com](mailto:jrhodes@dacbeachcroft.com)



**Udara Ranasinghe**

London - Walbrook

+44 (0)20 7894 6727

[uranasinghe@dacbeachcroft.com](mailto:uranasinghe@dacbeachcroft.com)