

PUBLIC SECTOR EXIT PAYMENTS (LIMITATION) BILL

EXPLANATORY NOTES

What these notes do

These Explanatory Notes relate to the Public Sector Exit Payments (Limitation) Bill introduced in the House of Commons on 11 December 2023 (Bill 133).

- These Explanatory Notes have been prepared by Sir Christopher Chope MP, the member in charge of the Bill, in order to assist the reader of the Bill.
- These Explanatory Notes explain what each part of the Bill will mean in practice; provide background information on the development of policy; and provide additional information on how the Bill will affect existing legislation in this area.
- These Explanatory Notes might best be read alongside the Bill. They are not, and are not intended to be, a comprehensive description of the Bill.

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Overview of the Bill

1. The Bill seeks to require the Treasury to propose regulations which will limit exit payments made by public sector organisations to employees.
2. The Treasury already has powers to bring forward such regulations under Section 153A of the Small Business Enterprise and Employment Act 2015 (as amended by Section 41 of the Enterprise Act 2016) but they have never been exercised. The Bill would require the Treasury to lay draft regulations before Parliament on or before 1 January 2025.
3. The regulations would cap public sector exit payments at £95,000, and the Bill states that the regulations may have effect with regard to any exit payments made on or after 1 October 2024.

Policy background

4. The 2015 Conservative Party manifesto proposed a limit on exit payments for public sector workers.
5. On 23 May 2015, the Treasury issued a press release in support of the inclusion in the Enterprise Bill of a measure to implement that policy. The then Chief Secretary to the Treasury said: “We are delivering our manifesto commitment to end six figure pay offs for the best paid public sector workers” and that “These reforms will ensure fairness and value for money across the public sector”.
6. Section 41 of the Enterprise Act inserted into the Small Business, Enterprise and Employment Act 2015 new sections 153A to 153C and gave effect to Schedule 6 of the Enterprise Act 2016 which contained consequential and supplementary provisions.
7. On 27 June 2017, Sir Christopher Chope MP asked the Chancellor of the Exchequer: “When the Government plans to bring forward secondary legislation to implement the policy of prohibiting exit payments for public sector employees in England exceeding £95,000; and what steps he is taking to discourage such payments in the interim” (Question 1447).
8. The answer from the then Chief Secretary to the Treasury, of 6th July 2017, was “The Government announced in 2015 that it intended to end six figure exit payments for public sector workers. We legislated for a £95,000 cap in the Enterprise Act 2016 and are currently in the process of drafting the necessary regulations. In the interim the Government expects every part of the public sector to demonstrate that it is using public money efficiently and responsibly and to ensure that pay and terms are always proportionate, justifiable and deliver value for money for taxpayers”.
9. In a further question on 29 November 2017 to the Treasury (Question 116646), Sir Christopher Chope MP enquired about the timetable to bring forward the secondary legislation.
10. In a response dated 4 December 2017, the Chief Secretary to the Treasury said that before laying the necessary regulations and to ensure the successful implementation of these changes “We will bring forward a consultation in the first quarter of 2018 which will run for twelve weeks”.
11. On 26 February 2018, Sir Christopher Chope MP asked, in Question 129888, about the plans for the launch of the consultation. The response from the Chief Secretary to the

Treasury, dated 1 March 2018, was: “To ensure the successful implementation of these changes a consultation will be brought forward in the next few months”.

12. On 23 May 2018, Sir Christopher Chope MP asked further questions regarding when the process of drafting the regulations began and when the drafting was forecast to be completed. He also enquired as to the reasons why the consultation was not carried out in the first quarter of 2018.
13. In a response dated 4 June 2018, the Chief Secretary to the Treasury said: “The Government remains committed to ending six figure pay outs in the public sector. [...] The consultation will seek views on the terms of the draft secondary legislation, including the detailed design of the exit payment cap and the list of bodies to which the cap will apply”. Since 2018, no answer to the consultation has been given.
14. Accordingly, Sir Christopher Chope MP introduced a previous version of this Bill in the 2022/23 session. It was debated on 20 October 2023. In that debate, the Minister stated: “Given that the Government absolutely understand and share [Sir Christopher Chope MP’s] concerns, it is much better that when they bring forward that response to the consultation, we celebrate. I acknowledge today the first anniversary of the closing date for that, and it would indeed be unfortunate for there to be a second anniversary.”
15. By Question UIN 12497 of 1 February 2024, Sir Christopher Chope MP asked: “with reference to the consultation entitled Public Sector Exit Payments: a new controls process for high exit payments, which closed on 17 October 2022, for what reason his Department has not yet responded to that consultation; and when he plans to respond.” The Treasury responded: “The Government is considering the responses to this consultation and will publish a response in due course.”
16. By Question UIN 12498, of 1 February 2024, Sir Christopher Chope MP asked how many public sector exit payments were made in excess of £95,000 for the financial years ending 2017 – 2023. After further related questions, the Treasury responded to Question UIN 15007 of 21 February 2024: “The Whole of Government Accounts provide the most complete overview of exit payments in any given year. In advance of them, reference can be made to individual departments’ Annual Report and Accounts, where information on the usage of exit payments for the financial years 2021/22 and 2022/23 is available. These can be found online using the following link:

[Annual Report and Accounts for Central Government Departments](#)
17. Data on exit payments made by Local Authorities between 2014 and 2023 is available under the heading ‘exit payments’ using the following link: [Statistical Data Sets Local Government Finance](#)”.
18. The annual reports and accounts of central government departments show that 1,131 exit packages were valued at over £100,000 for the years 2021/22 and 2022/23, and the above local authority data shows that the total value of all local authority exit packages for all staff in England for 2014/15 to 2022/23 ranged, per year, from £185,387,603 - £517,103,453.

Commentary on provisions of Bill

Clause 1: Duty of Treasury to make regulations under section 153A of the

Small Business, Enterprise and Employment Act 2015

19. Clause 1 requires the Treasury to lay before Parliament draft regulations to limit public sector exit payments on or before 1 January 2025.

Clause 2: Application of certain regulations under section 153A of the Small Business, Enterprise and Employment Act 2015 to exit payments already made

20. Clause 2 enables the first regulations to limit exit payments to apply retrospectively to payments made on or after 1 October 2024.

Clause 3: Extent, commencement and short title

21. Clause 3 of the Bill states that its provisions would come into force on the day it is passed and that it extends to the whole of the United Kingdom.

Financial implications of the Bill

22. The Government's impact assessment for the Enterprise Bill 2015 stated that "Trends in exit payments over recent years suggest the cap could result in savings in the low hundreds of millions of pounds over the course of this Parliament.

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