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November 2020

Dear Sir /Madam,

**Reforming local government exit pay**

**MHCLG consultation ending 9 November 2020**

It contains complex and contentious proposals that impact on members who are made redundant. I hope the deadline for consultation will be extended beyond 9 November to allow more engagement, but I am sending my response as an individual member of the LGPS now in case the deadline is not extended.

I appreciate that the consultation is a result of the rushed and ill-thought-out introduction of the £95k cap. However, to launch such an important consultation at such short notice is unacceptable.

The current MHCLG consultation, instead of just amending the regulations to accommodate the £95k cap, goes much further.

The main changes I would like to see to the proposals are: -

1. Not to reduce the ceiling for discretionary severance payments. I do not support it because this will reduce the flexibility to set reasonable limits through collective bargaining.

Unlike in other public services, the severance payments in local government are discretionary and so limiting them is not just inflexible but is also, in many cases, unnecessary.

It will impact particularly on long serving members who are made redundant in their 50’s when the chances of finding comparable employment is slim especially following the disruption caused by Covid.

1. I am completely opposed to the proposal to offset the Statutory Redundancy Pay and any discretionary payment against the cost of paying a pension not reduced by an early retirement factor.

This affects nearly all potential redundancies for those over the age of 55. This is no longer about hitting just the high paid. It will hit the medium and low paid as well. It hits members who would otherwise have packages well below the £95k cap. It is penal and discriminatory and possibly open to legal challenge.

1. There should at least be another option where a member made redundant over age 55 decides they can defer the start of their pension. Instead of getting just statutory redundancy pay and any discretionary payment if they defer the start of their pension, they should have the option for the deferred pension to be increased by the money the employer would have paid the fund to remove the early retirement reductions if the pension had been paid immediately.

The examples in the MHCLG impact assessment that was published after the consultation started shows how detrimental the proposals are for low and average paid members. For example: -

**Individual 1**: is 59 years old. Member for 19 years and is currently paid a salary of £29,000 per annum. She broadly fits the profile of the average member. Her new redundancy package does not contain a cash payment on top, as her pension strain is larger than the combined SRP and DSP. Member benefits are not affected by the £95,000 cap but are reduced under proposed reforms as SRP and DSP are no longer paid in excess to pension strain. Under the proposed reforms, benefits on redundancy are reduced by around 37%.

The re-employment prospects for this individual are likely to be tough in the real world. The member has been paying into the LGPS for 19 years in the belief that if she was made redundant her pension would be small but at least enough to survive on together with a not particularly generous severance payment.

In conclusion as it stands the draft consultation is contentious, discriminatory and penal and hits the low paid as well as those on average and higher incomes.

Yours faithfully,