Cabinet Office

Consultation on reform of the Civil Service Compensation Scheme

Launched on: 8 February 2016

Respond by: 4 May 2016

SUMMARY

To remain the best in the world, the Civil Service needs to respond to both the challenges and opportunities of our times. That means being able to recruit and retain the best people, but it also means ensuring that we have a good, cost-efficient system in place to help civil servants leave when the time is right.

The Government has been clear that compensation terms across the public sector need to be reformed in order to ensure they are reflective of the modern civil service that we want to see. The Civil Service continues to require new and different skills to respond to the fiscal environment, global competition and changes in technology, whilst at the same time delivering better services more efficiently: in short, doing more for less. In response to the 2015 Spending Review many departments will inevitably be considering headcount reductions. As they do so we need to ensure they have the flexibility through voluntary exit schemes to retain the people they need to deliver the best public services.

Some progress has already been made in reforming compensation terms. Legislation was passed in the previous Parliament to allow for the recovery of compensation payments to certain staff who returned to employment within 12 months. The Government is also taking forward legislation to end excessive redundancy payments in the public sector, with a proposed cap set at £95,000.

However, under the current terms, staff are incentivised not to put themselves forward for consideration of an exit package and early access to pension provisions are out-dated. The reformed Compensation Scheme will support both the ability of staff to exit the organisation with dignity and security and the need for the employer to retain those with the skills that will be required in the Civil Service of the future.

More widely, the Chancellor of the Exchequer has announced at the Spending Review that the Treasury will consult on further cross-public sector action on exit payout terms, to reduce the costs of redundancy payouts and ensure greater consistency between workforces. The Civil Service will broadly align with these reform principles.

The Government is therefore seeking to make further changes to the Civil Service Compensation Scheme (CSCS) so that it remains a suitable and appropriate tool. Specifically it is looking to reform to meet the following principles:

- to **align with wider compensation reforms** proposed across the public sector, including the Government's manifesto commitment to **prevent excessive pay-outs** by ending six-figure exit packages;
- **supporting employers in reshaping and restructuring** their workforce to ensure it has the skills required for the future;
- to increase the relative **attractiveness of the scheme for staff exiting earlier** in the process, and to maintain **flexibility** in voluntary exits to support this aim;
- to create **significant savings** on the current cost of exits and ensure **appropriate use of taxpayers money;** and
- to ensure **any early access to pension provisions remains appropriate.**

This consultation sets out a number of options that the Government is considering in order to deliver reforms. We welcome your views on these options to ensure that employees are receiving appropriate levels of compensation, as well as being fair to taxpayers.

HOW TO RESPOND TO THIS CONSULTATION

Responses can be made by completing the form at the end of the document and emailing this to cscs.reform@cabinetoffice.gov.uk, or sending it to the address below.

Civil Service Compensation Scheme Reform
4th Floor Orange
Cabinet Office
1 Horse Guards Road
London
SW1A 2HQ
We welcome your views. The closing date for responses is 4 May 2016.

SCOPE OF THIS CONSULTATION

Topic of this consultation	This consultation is on changes to the Civil Service Compensation Scheme (CSCS).
Purpose of this consultation	The purpose of this consultation is to gather views on the form and nature of the changes to the CSCS so that it can deliver on the aims set for it by Government.
Target of this consultation	This consultation is targeted at the representatives (Trade Unions) of those covered by the terms of the CSCS but we also welcome any individual responses from those affected and employers.
Duration of this consultation	12 weeks
Enquiries and response	Enquiries about the content or scope of the consultation should be sent to cscs.reform@cabinetoffice.gov.uk
After the consultation	A summary of responses and details of any action that the Government will be taking on this following the consultation will be published on the Civil Service Pensions website within 12 weeks of the consultation period finishing. The terms of the CSCS will be revised after consideration of the responses received and in the light of responses to the Treasury's wider consultation on compensation. A reformed Civil Service scheme will be laid before Parliament before it is implemented.
Previous engagement	We engaged with senior managers across the Civil Service prior to this consultation, to inform the drafting, improve understanding of the issues being faced in practice and to help develop a possible range of reforms.

PURPOSE

1.1 This consultation document seeks views on reforms to the Civil Service Compensation Scheme (CSCS). Specifically it seeks views on how best the scheme can be reformed so that it is able to deliver against the Government's aims for the scheme.

BACKGROUND

2.1 The CSCS has been reformed twice in the last 30 years, in 1987 and then again in 2010. Given the long time between the 1987 reforms and those in 2010 the scheme had grown out of touch with best practice in the wider economy and no longer properly reflected the position those leaving employment were likely to find themselves in. The high costs associated with exits acted as a barrier to the efficient movement of staff into and out of the service. In addition the structure of the scheme encouraged staff to string out any exit process for as long as possible and it was coming under increasing challenge over age related calculations and restrictions.

2.2 The aim of the reforms in 2010 were to create a scheme that encouraged more active participation by staff, provided better value for money, did not allow for disproportionate pay-outs, provided some protection for the lower paid and supported the Government's objectives. These were for a scheme that would enable the restructuring of the Civil Service, make it easier to refresh the skill set of the Civil Service and support suitable turnover of staff so as to allow for the recruitment of young people. The reforms simplified the types of payment available to Voluntary Exit (variable tariff scheme usable outside redundancy situations), Voluntary Redundancy (fixed tariff used in a redundancy situation) and Compulsory Redundancy (fixed tariff used at the end of a redundancy situation). A summary of the terms of the 2010 scheme are set out at Annex A.

2.3 This reformed scheme has been in place for over four years now and the experience of its use has led the Government to believe that it is not fully delivering against its aims. In particular the Government is concerned that:

- The Voluntary Redundancy (VR) terms are limiting the flexible use of the Voluntary Exit (VE) terms. The scheme is therefore not functioning as intended but is still encouraging staff to hold on in the expectation of better terms later;
- Early access to pension was included to allow staff to retire and draw all of their Civil Service pension without reduction for early payment. Given the significant costs, the limited eligibility and that Government's aim in encouraging longer working lives (for example the recent pension reforms) it is questionable as to whether it is still appropriate for the employer to be funding this as an option;
- Overall the scheme remains too expensive in light of the national debt and budget deficit leaving less money available to support those where necessary. This is especially acute because of the requirement to reduce current staff numbers due to both the spending review and the need to create space to allow for the recruitment of apprentices; and
- More broadly the scheme is out of line with the terms that the Government considers should be generally available in the public sector. In particular the Government does not believe that six figure compensation payments are likely to be fair or to offer value for money.

PRINCIPLES FOR REFORM

3.1 The Government is seeking to make changes to the CSCS so that it remains a suitable and appropriate tool. Specifically it is looking to reform to meet the following principles:

- to **align with wider compensation reforms** proposed across the public sector, including the Government's manifesto commitment to **prevent excessive payouts** to the better paid by ending six-figure exit packages;
- to **support employers in reshaping and restructuring** their workforce to ensure it has the skills required for the future;
- to increase the relative **attractiveness of the scheme for staff exiting earlier** in the process, and to maintain **flexibility** in voluntary exits to support this aim;
- to create **significant savings** on the current cost of exits and ensure **appropriate use of taxpayers money; and**
- to ensure **any early access to pension provisions remains appropriate.**

Aligning with wider compensation reforms

3.2 The Government considers that the compensation arrangements across the public sector need reform as they are more generous than are needed and so do not provide value for money for other tax payers. It is important that fair and appropriate compensation is paid to employees but that this is also seen appropriate in the eyes of the taxpayer.

3.3 This builds on the introduction of legislation to end excessive pay-outs in the public sector. As part of the Autumn Statement the Government announced that the Treasury will consult on further cross-public sector action on exit payout terms, to reduce the costs of redundancy payouts and ensure greater consistency between workforces. These actions include setting new maximum limits on tariffs used to calculate redundancy payments and measures to limit the cost of employer funded pension top up payments. The Government therefore intends to include further explicit caps on the value of compensation payable under the Civil Service and will reform the Civil Service scheme in line with its broader, cross public service, intentions.

Support Employers in reshaping and restructuring

3.4 The Civil Service of the future will require different skills from that of the past, and there is a growing divergence between the skills required for the future and the skills that have been prioritised in the past. Employers will therefore need to refresh the skills they need in their organisation, which may involve exiting some staff. Although this could be done through extensive use of compulsory redundancy the Government would prefer not to do this.

3.5 Using a voluntary process is better for both the employee and the employer. The employee gains a degree of control over the timing and nature of their leaving employment, as well as financial support as they search for a new job. The employer benefits from avoiding the time and expense of running a compulsory scheme. They also benefit from having more flexibility to exert control over who is offered a compensation payment to leave compared to a compulsory redundancy situation where employers are far more constrained in having to identify those staff whose jobs will be lost. Therefore the use of voluntary exit schemes allows employers to extend the population from which departures can be drawn and supports the employer retaining those staff needed to build capability to meet the needs of a modern civil service.

Costs

3.6 The costs of the scheme have tended to be higher than originally expected under the 2010 reforms. The wider financial position continues to be very tight and the pressure for greater efficiencies, with the associated reduction in staffing levels, remains.

3.7 Although the 2010 reforms did lower the average cost of the scheme it was still possible, in extreme cases, for some staff to get benefits costing more than three times salary. The Government believes that this is still too much and is therefore intending to reform the scheme so that the costs would be at least a third lower if the reformed scheme terms were to be applied to the same population as left in 2014-2015.

Incentivising voluntary exits and flexibility

3.8 The 2010 scheme included a commitment that all staff would be eligible to apply for an exit under standardised voluntary terms before they were made compulsorily redundant. This has been successful in incentivising Voluntary Redundancy over Compulsory Redundancy and so avoiding large numbers of compulsory redundancies despite significant use of redundancy procedures.

3.9 However, experience of the scheme's operations is that this commitment may be reducing the flexible use of Voluntary Exit. Several employers have expressed concerns that the nature of the Voluntary Redundancy terms means that it is inefficient to try offering Voluntary Exit schemes on any terms that do not match those for Voluntary Redundancy. The vast majority (well over 90%) of Voluntary Exit schemes have been on the same terms as those for Voluntary Redundancy. There has also been concern that as the Voluntary Exit terms do not tend to be better than those for Voluntary Redundancy staff generally will not come forwards for Voluntary Exit schemes unless they were already minded to leave.

3.10 The Government is therefore looking to increase the attractiveness to staff of leaving earlier in the process rather than waiting for the later stages. The Government recognises that there will be cases where redundancies (both voluntary and compulsory) will be necessary, but wants to incentivise voluntary exits to facilitate speedier exits and reduce the stress of redundancy situations where these are possible. The aim will be to create a scheme that still provides a reasonable compensation payment for those made compulsorily redundant but which offers the greatest benefits to those willing to leave early. This shift will also support greater use of the flexibility available under the scheme rules.

Early Access to Pension

3.11 The Government recognises that there is still a challenge for staff nearing pension age to find broadly equivalent work, despite policies to support longer working lives. It therefore considered in 2010 that it was still appropriate to facilitate the early retirement, on an unreduced pension, for staff close to pension age who have spent most or all of their career in the Civil Service rather than spend a small number of years between leaving the Civil Service and their Normal Pension Age (NPA) trying to find work.

3.12 Although it can remain challenging for those close to pension age to be able to find comparable employment, the provisions do not reflect the reality that under the current arrangements many staff are taking unreduced early access to pension but remaining economically active.

3.13 The current arrangements on this were developed before the 2015 pension reforms. The Government is also concerned that these provisions do not now appropriately reflect the ability of staff to draw their pensions, nor the growing reality of the length of working lives. The Government is supportive of people being able to work for longer and to remain economically active until later in life and believes the scheme should be amended to reflect this changing position.

Conclusion

3.14 The Government has carefully considered a range of options to achieve these principles, ranging from fundamental reform through much more limited adjustments. It has concluded that it is broadly content with the current structure of the scheme and would therefore like to retain the use of Voluntary Exit, Voluntary Redundancy and Compulsory Redundancy. However it is keen to both encourage even greater use of Voluntary Exit terms and for there to be more flexible use of those terms.

Q1 Do you agree that these are the right principles for the reform of the scheme? If not, what should be the principles to be followed?

OPTIONS FOR REFORM

4.1.1 The overarching context for these reforms is to align with the Government's wider consultation on public sector exit payments and to save at least a third on the cost of exits.

4.1.2 Building on the principles set out above the Minister for the Cabinet Office (MCO) considers that the options for reform fall into four broad categories, although there will be some overlap between them. These are

- Structural changes to reduce costs. This includes changing how the amount is calculated or reducing the maximum payable;
- Options for improving the use of flexible terms. This mainly covers the terms and use of Voluntary Redundancy;
- Employer funded early access to pension. An element of the scheme with significant cost implications; and
- An absolute cap on compensation payments, in line with the Government's proposed legislative changes.

4.1.3 The second and third of these may have cost implications, but the drivers for reform in these areas are broader than simply cost alone.

STRUCTURAL CHANGES TO REDUCE COSTS

4.2.1 The majority of changes described in this paper will lead to savings in the costs of the scheme, though not every change will provide the same level of savings. Details of the possible, comparative, savings will be set out in the relevant section.

4.2.2 The main tools to control costs are the "tariff" (the rate used to calculate the compensation); lowering the maximum multiple of salary that can be paid; capping the overall amount payable; and limiting the provision of early access to pension. It will be very difficult to reach the target level of savings without making significant reforms in all or most of these areas.

4.2.3 Reducing the tariff to **3 weeks' salary per year of service**, with no other changes, would provide savings of around **14% of costs**. Such a change should see the impact spread across the great majority of members although those with very long service will not see any reduction in their compensation. Reducing the tariff to **2 weeks' salary per year of service**, still higher than statutory redundancy terms, would provide very significant savings. Introducing a variable tariff (for example 2 weeks per year of service for the first 10 years and 3 weeks per year of service thereafter) is another option, but complicates the arrangements, which we believe goes against one of the successes of the 2010 reforms.

4.2.4 Reducing the maximum multiple of salary provides some significant savings. In this case it is those with longer service who see the largest changes in benefits. Due to the demographics of the Civil Service this means that the cap would need to come down quite low to deliver the same level of savings as for tariff changes. For example, reducing the maximum payable in a voluntary situation to **18 months' salary**, with no change in the tariff, would save around **4%**. Moving down to **15 months** would yield proportionally higher savings, around **9%**, as the population affected would be increased. Reducing the maximum to 12 months' salary would yield savings of around **15%**.

4.2.5 Another way of reducing costs is to limit maximum amount of salary that qualifies for compensation purposes. This is currently just under £150,000 in the Civil Service. The Treasury consultation has proposed "introducing a set level perhaps at £80,000". This would save **less than 1%** due to the salary distribution within the Civil Service.

4.2.6 Other options are possible, though most only have limited impact. For example, **simplifying the values payable**, say, to **12 months' salary** to anyone who has completed more than two years' service and with no employer funded early access to pension top up, would save around **25%**.

Q2 Should the tariff be reduced as part of the cost saving measures? If so, to what level should it be reduced? If not, what should be changed instead to produce comparable savings?

Q3 Should the cap on the multiple of salary be reduced? If so, to what level should it be reduced? If not, what should be changed instead to produce comparable savings?

Q4 Are there any other significant cost saving measures that should be considered instead of or in addition to a reduction in the tariff and/or cap?

Q5 Should the Civil Service apply a different cap on the salary that qualifies for compensation payments?

OPTIONS FOR IMPROVING THE USE OF THE FLEXIBLE TERMS

4.3.1 As set out above there are still incentives for staff to wait until towards the end of an exit process. The guarantee of an offer under Voluntary Redundancy means that staff can be sure of a further good offer before the end of the process. This acts as a disincentive to leave at the start of the process as if there is a foreseeable redundancy situation, the risk in awaiting that offer is small. Currently the only reason to apply for a Voluntary Exit scheme would be if staff were planning to leave already, or if a redundancy situation was not likely.

4.3.2 The 2010 reforms were intended to encourage staff to leave early in the process. This provides benefits to all of those involved. The employer gains from being able to conduct the exercise quickly and with a minimum of additional cost due to ongoing salary payments and employees gain through limiting the time taken by the process and the attendant stress caused by the uncertainty on the outcome. Both those going and those staying tend to see increases in stress levels and lower productivity during restructuring, downsizing and redundancy exercises. Anything that can be done to reduce this and so limit the impact on health (as well as allowing a speedy return to full productivity) should be supported.

4.3.3 There are several ways in which the relative attractiveness of Voluntary Exits can be increased for staff. One would be to **remove the requirement to make a Voluntary Redundancy offer** before moving to Compulsory Redundancy. Without the guaranteed offer available Voluntary Exit terms would become the best that are on offer and so reduce any desire to passively await the outcome.

4.3.4 A similar effect could be achieved by **setting Voluntary Redundancy terms as being the same as Voluntary Exit terms** (i.e. they would be flexible). Again, this would increase the attractiveness of Voluntary Exit by removing the certainty for staff of the terms that they must be offered before compulsory redundancy.

4.3.5 Another option would be to reduce the amount payable under each section. Reducing the maximum payable under Voluntary Redundancy (and, perhaps, Compulsory Redundancy) would also make Voluntary Exit more attractive in comparison. For example, reducing the cap in **Voluntary Exit to 18 months' salary**, the cap in **Voluntary Redundancy to 12 months** and that for **Compulsory Redundancy to 9 months** would mean that Voluntary Exit offered a greater level of compensation for longer serving staff than Voluntary Redundancy. Lowering the tariffs for redundancy, for example setting it at 2 weeks' salary per year of service for Voluntary Redundancy and Compulsory Redundancy, would have a similar effect in incentivising early exits.

4.3.6 The level of Compulsory Redundancy could also be amended. **Reducing the calculation to the same as for statutory terms** is unlikely to save any significant sums of money but should act as a significant incentive to volunteer for the earlier terms on offer.

4.3.7 Finally, the difference in notice periods in the Civil Service is also proving to have a distorting effect. As part of the 2010 reforms it was proposed that all notice periods, for both voluntary and compulsory departures be set at three months. The Government has, in practice, generally provided three months' notice for Voluntary Exit and Voluntary Redundancy in the Civil Service. However, as the Compulsory Notice period of six months is a contractual term this has not been changed. The Government is keen to resolve this issue. It would prefer to set **all relevant Civil Service contractual notice periods at three months**. If this is not possible then **a reduction of three months** in the maximum payable under Compulsory Redundancy would have a similar effect for many staff.

Q6 Should the requirement for at least one offer under voluntary terms (and for that to be a "good" one rather than a minimal one) before moving to Compulsory Redundancy be kept?

Q7 If the requirement for a voluntary offer before redundancy is kept, should that offer be on the basis of a fixed “tariff”?

Q8 Should Voluntary Exit allow for higher maximum payments than Voluntary Redundancy? If it should, by how much?

Q9 Are there any other ways in which staff could be encouraged to be more pro-active in coming forwards when exit exercises are being run?

EMPLOYER FUNDED EARLY ACCESS TO PENSION

4.4.1 Under wider pension legislation staff have a right to draw their pension from 50 or 55 (depending on when they joined the relevant pension scheme). This is known as the Minimum Pension Age (MPA). If the pension is put into payment before the Normal Pension Age (NPA), which can be 60, 65 or State Pension Age depending upon the scheme, the pension is reduced to reflect the fact that it will be paid for longer. The current scheme rules allow exiting staff to opt to have their pension, unreduced for early payment, from any point once they have reached MPA and if the cost for this is more than the compensation payment then the additional charge is met by the employer.

4.4.2 This early retirement provision was retained to allow staff who had provided long service to be able to retire early rather than spend a small number of years between leaving the Civil Service and their NPA trying to find work. Although it remains challenging for those close to pension age to be able to find comparable employment the Government is supportive of people being able to work for longer and to remain economically active until later in life. It therefore runs counter to this for the Civil Service, as an employer, to spend significant sums of money to encourage people to become economically inactive. And if those who opt for this option do not become economically inactive then the CSCS will not be succeeding in its aims as it will have neither provided a proportionate support while looking for new employment (as the benefit will be too large) nor helped ease staff into retirement (as they will have not retired).

4.4.3 The extreme example of this is that, following the reform of the pension scheme, some staff currently have a right to draw part of their pension from 50 and the rest of it from 55. It is therefore clear that those under 55 will actually be unable to “retire” (in the sense of being able to give up paid employment and instead rely upon their savings and pension). Given the high cost of buying out the actuarial reduction, such staff are instead gaining a significant benefit that is not available to those under 50 or anyone recruited after April 2006.

4.4.4 For the reasons set out above it is questionable as to whether employer funded early access to pension is still appropriate. **Completely removing the employer funded top up to allow early access to an unreduced pension** would save around **12%** of costs. It would not have any effect on those under 50, or within a few years of pension age (as the cost in those cases is less than the value of the compensation payment). It would also remove one of the last age related aspects of the scheme. This would not remove the option for staff to have early access to their pension as they would still be able to have the pension put into payment. It would either be actuarially reduced to reflect the early payment or they could use their compensation (if it is enough) to buy out the actuarial reduction. This reform would simply mean that the employer would not make any additional payments on top of the compensation payment to enable the staff member to take an unreduced pension.

4.4.5 An alternative approach, designed to balance the aims of encouraging people to work longer while allowing staff near to pension age to depart as they wish, would be to increase the age at which staff could opt for the employer funded top up to pension option to the MPA for staff joining the pension scheme at that point. This would therefore **increase the minimum age to 55 immediately**. The Government has announced that it is minded to increase MPA in the future so that it **tracks 10 years behind State Pension Age**. This would still produce savings of around **11%** in the short term (reflecting the disproportionate balance in the value of benefits within this population).

4.4.6 A final option would be for the option to get employer funded early access to the pension to only be open to **staff within five years of State Pension Age**. This would save around **12%**.

Q10 Should the employer funded early access to pension provision be removed from the scheme?

Q11 Should the minimum age for early access to pension be increased to 55?

Q12 Are there any other ways in which the key issue (the provision of a very expensive retirement benefit to staff unlikely to actually retire) could be resolved?

ABSOLUTE CAP ON COMPENSATION PAYMENTS

4.5.1 The Government has proposed legislation to limit compensation payments in the public sector to £95,000 or less. If Parliament passes this legislation the Government intends to amend the Civil Service Compensation Scheme to reflect this change in the law. This will mean that any payments that would be more than £95,000 will be limited to £95,000. There will be a mechanism whereby the Minister is able to approve (in exceptional circumstances) cases presented for exits costing more than £95,000.

4.5.2 We also propose to make explicit that a Voluntary Exit scheme can be run either with a "hard" cap on the level of payments (i.e. there is no option for any payment to exceed the cap, which could be set at a level lower than £95,000) or without an additional cap (in which case the legislative cap of £95,000 will still apply).

Q13 Do you agree that employers should have the flexibility to set a lower maximum cap than £95,000 in Voluntary Exit schemes? Is there any level below which a cap should not be set?

COMBINED OPTIONS

5.1 There are clearly many possible combinations of the various reform options as described above. The MCO wishes to set any reform package in line with the Government's consultation on public sector reforms, but also wants the changes to be right for the Civil Service workforce and reflect the key priorities set out above.

5.2 The Government's wider consultation on public sector reforms set out that it intended to take action on some, or all, of the following elements of public sector compensation provision:

- Setting a maximum tariff of three weeks' pay per year of service.
- Capping the maximum number of months' salary for voluntary redundancy payments to 15 months. With the potential for setting a slightly higher limit for voluntary exit payments, and slightly lower limit for compulsory redundancies.
- Setting a maximum salary on which an exit payment can be based, potentially at £80,000
- Requiring employer-funded early access to pension to be limited or ended, through measures such as:
    - capping the amount of employer funded pension 'top ups' to no more than the amount of redundancy lump sum to which an individual would be entitled;
    - remove employer top ups altogether;
    - and/or increase the minimum age at which an employee is able to receive an employer funded pension top up, to be more closely with the individual's Normal Pension Age.

5.3 MCO believes that a package of reforms can be developed which aligns the principles set out above of encouraging exits earlier in the process with the Government's wider consultation. The preferred way of achieving a similar level of reforms, which should better meet the Civil Service priorities is as follows:

- set the standard **tariff to three weeks**' per year of service;
- set the **Voluntary Exit cap at 18 months' salary**; set the **Voluntary Redundancy cap to 12 months**; and set the **Compulsory Redundancy cap to 9 months**.
- only allow employer funded top up for early access to pension where the member has reached the minimum pension age for a new entrant to the scheme (i.e. 55 at a minimum);
- to introduce an absolute cap on CSCS payments at £95,000 in line with proposed legislation; and
- set notice periods for all exits from the Civil Service under the CSCS at 3 months (notice periods are not set under the CSCS but clearly have an impact on total costs).

5.4 These two packages would save just over a third on the current costs of exits and this level of reform is within the range of the MCO's target for cost savings in the CSCS.

Q14 Do you support the suggested package set out above?

Q15 Is there another way in which the Government's aims of reducing costs and ensuring that the CSCS operates as desired could be met?

REFORM OF "INEFFICIENCY" TERMS

6.1 The Civil Service retains an ability to compensate staff who are dismissed where this is in the mutual interest of both the employer and the employee. This type of dismissal is referred to being on the grounds of "inefficiency". Such staff currently have a contractual right to be considered for compensation following dismissal, but do not have a contractual right to receive a payment. These terms were not reformed in 2010 and both the criteria for an award and the basis of the calculation linking to pre-2010 CSCS terms are now out of date. In addition, the current wording in the CSCS only relates to members of Sections I and II of the PCSPS (members of **classic** and **premium**). .

6.2 The Government intends to reform these arrangements to ensure that they are fit for the modern workplace. As part of these reforms the Government wants to link any calculation to reformed redundancy terms (either Voluntary Redundancy or Compulsory Redundancy). Finally, the Government believes that describing these payments as being for “inefficiency” is unhelpful and misleading. It would welcome suggestions for a more suitable description.

Q16 What should the tariff be for the reformed “inefficiency” terms?

Q17 Should the revised arrangements be called something different?

Annex A: Table setting out the terms of the CSCS

Scheme	Voluntary Exit	Voluntary Redundancy	Compulsory Redundancy
Rationale	For use where staff reductions are needed outside of a redundancy situation.	To be offered to staff at risk of redundancy as part of the mitigation process.	Used when staff are made compulsory redundant.
Tariff	From statutory terms up to 2 months' salary per year (salary capped at £150,000) "Standard" tariff is 1 month per year. Any terms above this need approval by MCO.	Fixed at 1 month's salary per year of service (salary capped at £150,000).	Fixed at 1 month's salary per year of service (salary capped at £150,000).
Maximum amount payable	21 months' salary	21 months' salary	12 months' salary
Employer Funded Early Access to Unreduced Pension?	Yes, if the employer decides to offer that option.	Yes, must always be offered.	No, can never be offered.
Lower Paid Underpin (setting salary at £23,000 if it is less than that)?	Yes, if the employer decides to offer that option.	Yes, must always be included.	Yes, must always be included.
Notice period	3 Months	3 Months	Currently dependent upon contracts but generally 6 months.

FORM FOR RESPONDING TO THE CONSULTATION

Please use this form to respond to the consultation and send your completed form to cscs.reform@cabinetoffice.gov.uk or the address stated above, by 4 May 2016. Anyone may return a completed form to the above email or address, but it is primarily targeted at employees covered by the scheme, their representatives and their employers.

Name	
Job Role	
Organisation	
Contact details	
Q1: **Do you agree that these are the right principles for the reform of the scheme? If not, what should be the principles to be followed?**	
Q2: **Should the tariff be reduced as part of the cost saving measures? If so, to what level should it be reduced? If not, what should be changed instead to produce comparable savings?**	
Q3: **Should the cap on the multiple of salary be reduced? If so, to what level should it be reduced? If not, what should be changed instead to produce comparable savings?**	
Q4: **Are there any other significant cost saving measures that should be considered instead of or in addition to a reduction in the tariff and/or cap?**	
Q5 Should the Civil Service apply a different cap on the salary that qualifies for compensation payments?	

Q6: **Should the requirement for at least one offer under voluntary terms (and for that to be a "good" one rather than a minimal one) before moving to Compulsory Redundancy be kept?**
Q7: **If the requirement for a voluntary offer before redundancy is kept, should that offer be on the basis of a fixed "tariff"?**
Q8: **Should Voluntary Exit allow for higher maximum payments than Voluntary Redundancy? If it should, by how much?**
Q9: **Are there any other ways in which staff could be encouraged to be more pro-active in coming forwards when exit exercises are being run?**
Q10: **Should the employer funded early access to pension provision be removed from the scheme?**
Q11: **Should the minimum age for early access to pension be increased to 55?**

Q12: **Are there any other ways in which the key issue (the provision of a very expensive retirement benefit to staff unlikely to actually retire) could be resolved?**
Q13: **Do you agree that employers should have the flexibility to set a lower maximum cap than £95,000 in Voluntary Exit schemes? Is there any level below which a cap should not be set?**
Q14: **Do you support the suggested package set out above?**
Q15: **Is there another way in which the Government's aims of reducing costs and ensuring that the CSCS operates as desired could be met?**
Q16: **What should the tariff be for the reformed "inefficiency" terms?**
Q17: **Should the revised arrangements be called something different?**

Handling of information from individuals

The information you send may need to be passed to colleagues within Cabinet Office or other Government departments, and may be published in full or in a summary of responses.

All information in responses, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004). If you want your response to remain confidential, you should explain why confidentiality is necessary and your request will be acceded to only if it is appropriate in the circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department. Contributions to the consultation will be anonymised if they are quoted.

Individual contributions will not be acknowledged unless specifically requested.