Cabinet Office

Civil Service Compensation Scheme

Consultation on reform of the Civil Service Compensation Scheme - supplementary consultation document

Produced by Cabinet Office

Alternative format versions of this report are available on request from the Civil Service Pay team at civilservicepay@cabinetoffice.gov.uk.

Contents:

1. Background to the 2017 Consultation on Civil Service Compensation Scheme (CSCS) reform

1.1. The Government launched a consultation for reform of the Civil Service Compensation Scheme on 25th September 2017. Detailed consultation has taken place on the Government's proposals since then.

1.2. A series of revised proposed reforms to the CSCS were agreed by Ministers, and shared with trade unions, in Spring 2019 following consultation with both sets of Trade Unions and full consideration of their counter proposals. Full details of the revised proposals can be found in Section 4.

1.3. This supplementary consultation document provides commentary on the consultation to date and sets out the Government's proposals in the current economic context, building on the consultation document published in 2017 as the Government continues to consult with representative Trade Unions on making reforms to the CSCS.

2. Supplementary context

2.1. The rationale for changes to the 2010 terms remains much the same today and is heightened in light of the current economic climate. In the current challenging economic context, the need to ensure that public finances are on a sustainable path and that the use of taxpayers' money adheres to the fiscal rules proposed in October 2021 is paramount. As such, an affordable CSCS that combines value for money for the taxpayer and fair compensation terms is more important than ever.

2.2. In November 2021, the Government published a Spending Review ('SR21') which announced new fiscal rules that will allow the government to continue funding first-class public services and drive economic growth through record investment, while ensuring that debt falls over the medium term. These new fiscal rules ensure that the Government's spending plans are consistent with reducing debt from its historically high level and ensuring that taxpayers' money is spent where it makes the most difference to people's daily lives: creating high-wage and high-skilled jobs, reducing NHS waiting times and putting more police on the streets.

2.3. Reducing potential further cost within the CSCS will allow departments to live within their spending settlements whilst being able to continue to deliver important public services.

2.4. However, the Government recognises that there are frequent circumstances, in which offering an attractive exit package is in the interest of the organisation, which is reflected in the terms and flexibility of the revised proposals.

2.5. In addition, the Government has recently announced the Civil Service 2025 programme aimed at returning the Civil Service headcount to 2016 levels, in recognition that the Civil Service rightly increased headcount in responding to the exit from the European Union and the COVID-19 Pandemic. It is now right that the Civil Service makes reductions following EU exit and the peak of the pandemic response. The CSCS may be utilised by government departments as they restructure. The CSCS must support departments to achieve both best value for money and fair exit payments for those that leave employment.

2.6. In April 2019, the Government began consultation on restricting exit payments in the Public Sector. The Government legislated for a cap of £95,000 on exit payments in the public sector in the Restrictions of Public Sector Exit Payments Regulations 2020. The regulations came into force in November 2020 but have since been revoked.

2.7. Although the Regulations have been revoked, the need to make material cost saving efficiencies and target spend in this challenging economic context remains.

2.8. Given the amount of time that has passed, the Government believes that another stage of consultation with trade unions is appropriate. This history of discussion remains relevant to continued consultation and the Government will continue to take into account points previously raised by the unions. However, the continued relevance of past discussions should not be interpreted as in any way limiting the points that the unions may now put forward. The Government seeks any views that the unions now wish to communicate, whether they be a reiteration of previous points, different views or additional matters.

2.9. This consultation document outlines the principles for reform, the Government's proposals and the policy justifications for reform.

3. Scope Of Consultation

Topic of consultation	This consultation seeks views on proposed reforms to the Civil Service Compensation Scheme (CSCS). This further stage of consultation will build upon that which has been ongoing since 2017.
Purpose of consultation	In view of the passage of time since sharing the proposals, the Government believes that further consultation is now appropriate. The purpose of the consultation remains to gather views on the form and nature of the proposed amendments to the CSCS as part of the statutory duty to consult representative trade unions with a view to reaching agreement. The history of discussion remains relevant to the continued consultation and the Government will continue to take into account points previously raised, although this should not be interpreted as in any way limiting the points that may now be put forward.
Target of consultation	This consultation is a continuation of that which has been ongoing since 2017. The Government is continuing consultation with representative trade unions.

4. Principles for reform in this Consultation

4.1. The principles for reform remain unchanged from the ones set out in the 2017 consultation document. These principles built on those that guided the reforms implemented in 2016. These principles are discussed in more detail below, including the rationale for these reforms in the current economic context, given the continued need to strike a balance between achieving value for money for the taxpayer and fair compensation, whilst also recognising that there are frequent circumstances in which having an attractive exit package is in the interest of the organisation.

4.2. At the time of the 2016 Consultation, the 2010 Civil Service Compensation Scheme had been in place for over five years and experience had led the Government to believe that it was not fully delivering against its original aims. In particular the Government was concerned that:

- the Voluntary Redundancy (VR) terms were limiting the flexible use of the Voluntary Exit (VE) terms. The scheme was therefore not functioning as intended but was 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 for the employer, the limited eligibility and the Government's aim in encouraging longer working lives (for example the 2015 pension reforms) it was questionable as to whether it was still appropriate for the employer to be funding this as an option;
- overall the scheme remained too expensive in light of the national debt and budget deficit; and
- more broadly, the scheme was out of line with the terms that the Government considers should be generally available in the public sector.

4.3. The 2017 Court judgment found that the Government had not fully met its obligations with regard to how the consultation process was carried out ahead of the 2016 reforms. However, the judgment accepted the Government's contention that it was right to seek to reform the CSCS.

4.4. The judgment was clear that changes to the CSCS would make a material contribution to reducing the budget deficit; the changes struck an appropriate balance between those affected and the taxpayer; and the Government was entitled to make changes to the terms in the public interest. The judgment noted that the 2016 reforms were justified because there had been a relevant change of circumstances since the 2010 reforms were introduced, and that the difference between the expected and actual costs under the 2010 reforms was a good reason for the introduction of the 2016 reforms.

4.5. Following the Court judgment in 2017, and an extensive period of reflection since then, the Government has considered its objectives for reform to the CSCS. After careful consideration, the Government has definitively concluded that the overarching principles for reform set out in 2017 remain the right ones in 2022. However, the detail of the Government's thinking has evolved in certain areas since 2017 as a result of arguments made by Trade Unions and others in response to the 2017 proposals, as well as developments in the wider compensation scheme landscape since that time. This is discussed in more detail below.

4.6. The Government's principles for reform in this consultation are:

a. to support employers in reshaping and restructuring their workforce to ensure they have the skills required for the future;
a. to create significant savings on the current cost of exits and ensure appropriate use of taxpayers' money;
b. to ensure any early access to pension provision remains appropriate;
c. to ensure efficiency compensation payments are appropriate for a modern workplace;
d. to support the flexible use of voluntary exits;
e. where possible, implement a set of reforms that are agreed by Trade Unions; and
f. to align with the principles of compensation scheme reform expected across the public sector.

4.7. These principles provided the framework for the Government's consideration of consultation responses and discussions with unions and informed the CSCS reforms proposed in 2017, and later the revised proposals in 2019.

4.8. The 2017 consultation document can be found here.

a). Supporting employers in reshaping and restructuring their workforces

4.9. The Government believes that this principle, as set out in the 2017 Consultation, still stands. It remains the case that the Civil Service of the future will require different skills from that of the past, especially given that in May 2022, Cabinet agreed to reduce Civil Service headcount to June 2016 levels.

4.10. To achieve this, quality workforce planning is more important than ever and the CSCS reforms, alongside the existing 2016 protocols – the Civil Service Redundancy Principles – will support departments with robust planning where exits are necessary.

4.11. The responses to the 2017 consultation have strengthened the Government's view that, while there clearly is a role for compulsory redundancy in certain circumstances, using a voluntary process wherever possible is better for both the employee and the employer. This is because the employee gains a degree of control over the decision to, and timing of, leaving employment, as well as financial support as they search for a new job, while the employer benefits from avoiding the time and expense of running a compulsory scheme.

4.12. Employers also benefit from having more flexibility to decide who is offered a compensation payment to leave compared to a compulsory redundancy situation where they are far more constrained in having to identify those staff whose jobs will be lost. Therefore, the use of voluntary processes 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. There is also a continued need for compulsory redundancies to remain within the scheme, for employers to use where voluntary exits and voluntary redundancies are not appropriate/possible, or do not achieve the necessary outcome.

b). Cost savings and appropriate use of taxpayers' money

4.13. As set out in an earlier stage of this consultation, while the 2010 compensation scheme did succeed in lowering costs significantly, the costs of the 2010 scheme had been greater than expected when it was introduced and expected savings had not been realised. This was largely because the demographics of those leaving under the CSCS proved to be different than had been expected, with a greater proportion than had been expected coming from those with long periods of service, or from those in the 50-54 age group, who were entitled to employer-funded access to their pension, which is generally the form of exit that carries the greatest cost to the employer.

4.14. The Government's view remains that the costs of the 2010 scheme are too high. This is particularly true in the context of significant pressures on Government finances as a result of the COVID-19 pandemic; the need for departments to make savings in order to operate within their budgets; and the findings in the HMT consultation response that exit terms in the public sector are generally more generous than in the wider economy[1](more detail on the HMT consultation is at section 4.7 g, para 4.40). The Government believes that it is important that exit terms are looked at in the context of the wider economy to ensure they are fair to the individual and the taxpayer who ultimately fund these costs.

4.15. The 2021 Spending Review announced new fiscal rules that will allow the government to continue funding first-class public services and drive economic growth through record investment, while ensuring that debt falls over the medium term. These new fiscal rules ensure that the Government's spending plans are consistent with reducing debt from its historically high level and ensuring that taxpayers' money is spent where it makes the most difference to people's daily lives: creating high-wage and high-skilled jobs, reducing NHS waiting times and putting more police on the streets.

4.16. This backdrop means that achieving a balance of value for money to the taxpayer and fair compensation continues to be as important as ever. Making savings to the CSCS will allow departments to live within their spending settlements and prioritise spend on the key Government priorities and ultimately contribute to ensuring public finances recover from the effects of the COVID-19 pandemic.

[1] The consultation response can be found at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/555304/reforms_to_public_sector_exit_payments_consultation_response.pdf

c). To ensure any access to early pension provision remains appropriate

4.17. Although it remains challenging for those approaching 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 a group of employers, to spend significant sums of money to encourage people to become economically inactive.

4.18. In recent years, the Government has taken steps to reform public sector pension schemes and consequently most public sector workers will be expected over time to work longer, most to state pension age, before they take their pension. As the State Pension Age is now 66 (and is proposed to increase to 67 in 2028), this will rebalance the proportion of adult life spent in retirement.

4.19. It therefore makes sense to reform early access to pensions from the Civil Service Compensation Scheme (CSCS) to mirror these principles and to increase early access to track 10 years behind State Pension Age.

d). Efficiency compensation

4.20. The Government accepts the positive business case and rationale for paying compensation to staff who are exited for efficiency reasons, as it ensures we treat staff with dignity in this means of departure. The changes to the management code and guidance note on the use of efficiency compensation[2] made in November 2016 remain in place and have been effective in ensuring that the use of efficiency compensation is limited to circumstances where there is underlying ill health.

4.21. This guidance outlines that consideration must be based on both long term and intermittent health conditions, where the condition is not judged appropriate for medical retirement but does affect attendance and/or performance thereby impacting the Service’s efficiency. Compensation is not awarded in dismissals where there is no evidence that they are related to an underlying ill-health condition or conditions.

4.22. However, the quashing of the 2016 CSCS scheme means that efficiency compensation awards are now again calculated on the terms that were in place prior to 2016. The Government believes that these terms are out of date as the rules do not cover nuvos and alpha pension scheme members.

4.23. The current formula is overly complicated and antiquated. It is also opaque to staff and expensive to operate. The Government continues to believe that the reform of efficiency compensation awards to ensure the terms are appropriate for the modern workplace should be a principle of these reforms.

e). Supporting the flexible use of voluntary exits

4.24. The 2016 Consultation set out that the commitment made in 2010, that all staff

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[2] This can be found at: https://www.civilservicepensionscheme.org.uk/media/mxtle51l/epn-471-efficiency-departures-making-decisions-about-compensation-updated-16102017.pdf)

would be eligible to apply for an exit under standardised voluntary terms before they were made compulsorily redundant, had been successful in incentivising VR over CR, and so avoiding large numbers of compulsory redundancies. However, the Government set out its concern that this commitment may have reduced the flexible use of VE. This was based on concerns expressed by employers that the nature of the VR terms meant that it was inefficient to try offering VE schemes on any terms that did not match those for VR and that this meant staff generally did not come forward for VE schemes unless they were already minded to leave.

4.25. In response to these concerns, the Government proposed in the 2016 consultation to introduce a differential between maximum VE and VR terms and to cap VE at 18 months and VR at 12 months.

4.26. However, during the 2016 Consultation there were arguments put forward by Trade Unions which centred on the view that staff should be able to leave in a VR situation on no worse terms than if they had taken an earlier VE and that the evidence did not suggest that the structure of VE terms was necessarily limiting the use of VE in general. The Government was persuaded by these arguments in 2016 and concluded that it was not necessary for the VE tariff to be higher than the VR tariff in order to incentivise the use of VE. This was reflected in the final offer made to unions in 2016 and this continues to remain the Government's view in this consultation.

4.27. Therefore, it remains the Government's view that VE is the best form of exit for both employer and employee. Encouraging the flexible use of VE therefore remains a principle of this consultation, but the Government is content that this does not need to be through maximum VE terms being higher than standard VR terms.

f). Where possible, implement a set of reforms that are agreed by Trade Unions

4.28. The Government is keen to achieve a consulted settlement on CSCS reform. To that end, it will seek to engage with all Trade Unions during the consultation period with a view to reaching agreement with them and will carefully consider the views they put forward in these discussions as well as formal responses to the consultation. Given the importance the Government attaches to seeking to engage with all Trade Unions during the consultation period with a view to reaching agreement with them, this forms one of the principles of this consultation.

4.29. Under the Superannuation Act 1972, the Cabinet Office has a statutory obligation to consult with a view to reaching agreement with Trade Unions on any changes to the CSCS terms.

4.30. This is not an obligation of result but it is an obligation to consult in good faith and in a spirit of willingness to consider counter-proposals put forward by any representative Trade Union, with a view to seeing if, after giving them consideration, they might be accommodated in or alongside any proposed changes to the CSCS which the Minister proposes to make.

4.31. The strong and unusual duty of consultation in sections 1(3) and 2(3D) of the 1972 Act means that the Minister is not entitled to consult unions on one set of proposals for changes to the CSCS to reduce compensation benefits, consider responses received and then proceed to make different changes without going back to consultees, as would be the case with a usual consultation requirement. Rather, if there are to be modifications from proposals as originally presented, the Minister is obliged to go back to Trade Unions which fall within the scope of sections 1(3) and 2(3D) and check with them whether they will agree to the terms as so modified. Even if they will not, they may still have useful contributions to make which might lead the Minister to change the proposals before making changes to the CSCS. And if the Minister does, the Minister would need to check again whether agreement on those revised modified terms could be reached.

g). Aligning with wider compensation scheme reforms

4.32. At the same time as the 2016 consultation on reforms to the CSCS, the Government was also consulting on exit payment scheme reforms across all of the major public sector workforces. This consultation was led by HM Treasury and followed an announcement in the 2015 Autumn Statement and Spending Review. This consultation proposed reform of exit terms across all of the major public sector workforces (including the Civil Service, NHS, teachers, local government, firefighters and the armed forces) in order to meet the principles of fairness, modernity and flexibility; and greater consistency.

4.33. The Government response to this cross-public sector consultation was published on 26 September 2016[3]. This consultation found that there was currently significant disparity between the exit terms available to different public sector workforces and the terms commonly available in the private sector. It set out that, since exit arrangements are ultimately funded by the taxpayer, it was appropriate for the Government to ensure that they provided value for money within the Government's consultation objectives.

4.34. The Government considered that the best way to meet its objectives would be to set a common framework of upper limits to the main elements of compensation across the main public sector schemes. In summary, this 2016 framework is:

- a maximum tariff for calculating exit payments of three weeks' pay per year of service
- a ceiling of 15 months on the maximum number of months' salary that can be paid as a redundancy payment;
- a maximum salary of £80,000 on which an exit payment can be based;
- a taper on the amount of lump sum compensation an individual is entitled to receive as they get closer to their normal pension retirement age;
- action to limit or end employer-funded early access to pension as an exit

[3] This can be found at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/555304/reforms_to_public_sector_exit_payments_consultation_response.pdf

term, including through capping the amount of employer funded pension 'top ups' to no more than the value of the redundancy lump sum to which that individual would otherwise be entitled;
- removing or restraining the ability of employers to make such top ups altogether; and
- increasing the minimum age at which an employee is able to receive an employer funded pension top up.

4.35. The Consultation response acknowledged that there may be a case for some flexibility for individual workforces within this overall framework, for example as part of a negotiated agreement. However, it was clear that it expected "meaningful reform" from each workforce consistent with the principles it had set out.

4.36. In 2016, unions have expressed concern that reforms have not taken place elsewhere in the public sector as a result of the HMT compensation framework. The Government acknowledges that progress had been slow to implement these reforms in the wider public sector at this time.

4.37. However, in her letter of 20 February 2019 to Rt Hon Oliver Dowden CBE MP (Cabinet Office), the Rt Hon Elizabeth Truss MP (HM Treasury) reconfirmed the Government's continuing commitment to implement the reforms of the CSCS, to ensure a fair and appropriate level of compensation is provided for employees who are required to leave public sector jobs.

4.38. Since then, and following the revocation of the Restriction of Public Sector Exit Payment Regulations, HM Treasury has reaffirmed its commitment to the cross-government implementation of the compensation framework through a ministerial summit held on 21st July 2021 that aimed to agree a set of required, measurable outcomes for Departments to achieve.

4.39. There continues to be clear expectation from the Government as to the reforms that are expected to be made to the CSCS. The Departments responsible for the public sector workforces have been working to produce reforms that are broadly consistent with this framework. The Government therefore believes it is right that aligning with these wider public sector reforms remains a principle for reform of the CSCS.

5. The Government's proposals

5.1. There are several ways in which the Government could seek to make savings of the required level, including through fundamental reform to the structure of the CSCS. However, the Government believes that in order to make those savings while also meeting the other objectives of reform it is appropriate to retain the key features of the existing structure of the scheme. Instead, the Government's proposal is to make adjustments to elements of the scheme within the overall structure whilst aligning to the broader principles of cross-government public sector exit reform.

5.2. These revised proposals have been determined as a result of previous consultation discussions with Trade Unions between 2017-2019 and careful ministerial consideration of counter proposals. These proposals have been evaluated in light of the current economic context and are deemed to strike a balance between achieving value for money for the taxpayer and fair compensation terms for exiting employees.

5.3. In line with the principles above, and consistent with the Government's belief that it would not be appropriate to make fundamental alterations to the structure of the CSCS scheme, the Government's proposal for revised terms for the CSCS, as discussed with Trade Unions in 2019, is set out below.

- The standard tariff to be **three weeks' pay per year** of service *(remaining the same as the 2017 proposal*).
- Maximum payment of **18 months' salary** for VE and VR and maintaining the current flexibility of VE (*increase of 3 months from the 2017 proposal).*
- Compulsory Redundancy capped at **9 months' salary** *(remaining the same as the 2017 proposal).*
- Only to allow employer funded **top up to pension from age 56** to track 10 years behind State Pension Age *(tracking period the same as the 2017 proposal).*
- **Partial pension buyout** for those that have reached the minimum pension age where their cash payment is not sufficient to fully buy out their pension *(additional to the 2017 proposal).*
- A **minimum salary** when calculating entitlements of **£26,000** to protect the lowest paid *(additional to the 2017 proposal)*.
- **Clawback arrangements** for individuals who return to an organisation that uses the CSCS within six months of receiving a compensation payment.
- **Salary cap** set at **£149,829**, which represents no change from the 2010 terms.
- The **Efficiency Compensation tariff** to be reformed to **align with**

Voluntary Redundancy terms *(additional to the 2017 proposal)*. Under the current rules, efficiency compensation does not cover nuvos and alpha pension scheme members. Eligibility to efficiency compensation will be extended to those in nuvos and alpha schemes. This is to operate within the context of the revisions made to the use of efficiency compensation set out in revised guidance issued in November 2016.

- The **Efficiency Compensation taper arrangements** to be reformed to align with Voluntary Redundancy terms *(additional to the 2017 proposal).* The Voluntary Redundancy taper arrangements will apply to Efficiency compensation (including the minimum 6-month payment, subject to a minimum of six years' service, as explained in the next bullet point).

    - Notwithstanding that it would be more consistent with the aim of the CSCS to provide appropriate compensation in respect of the period between the date of dismissal and the date on which an employee becomes entitled to full and unreduced pension for there to be no minimum payment in any case, the Government nonetheless proposes to **retain the six month minimum payment provision (subject to a minimum of 6 years' service) and to extend it to efficiency cases (where it does not currently apply).** This operates as a form of generous concession which seeks to ensure that everyone dismissed on redundancy or efficiency grounds receives a substantial payment on termination.

5.4. The 2016 Protocol - Civil Service Redundancy Principles, which set central redundancy principles to be operated by departments, will continue to complement revised CSCS arrangements.

5.5. The above terms are amended proposals that reflect the full consideration of the ideas and formal counter proposals put forward by trade unions during the consultation to date. These revised proposals were communicated to Trade Unions in Spring 2019.

5.6. Compared to the 2017 Consultation Document, these proposals include an increase in the maximum payment for VE and VR of 3 months salary, an additional provision for partial buy-out of the actuarial reduction, a higher underpin for lower paid staff leaving as a result of redundancy and linking the Efficiency tariff to the more generous VR provision rather than a link to CR.

6. How the Government's proposals meet its reform principles

6.1. The Government believes that these proposals represent a fair deal for civil servants and for the taxpayers who ultimately fund exits. After careful consideration of these proposals in light of the changed economic context, the Government believes they continue to meet our reform proposals and the overarching need to strike a balance between achieving value for money for the taxpayer and fair compensation terms, while recognising that there are frequent circumstances in which offering an attractive exit package is in the interest of the organisation.

a). Support employers in reshaping and restructuring their workforce

6.2. These proposals ensure that the balance of encouraging voluntary arrangements over compulsory arrangements, and of allowing employers flexibility in tariffs for VE is maintained.

6.3. Using a voluntary process is better for both the employee and the employer. The employee gains a degree of control over the decision to, and timing of, 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 decide 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.

b). Create significant savings on the current cost of exits

6.4. The proposed reforms would result in significant savings when compared to the 2010 scheme, but are more generous than the 2017 proposals. The Government's latest estimates suggest the proposed package will reduce the cost of an average exit entitlement by 25.9% compared to the 2010 terms, whilst in comparison the 2017 proposals aimed to reduce the cost by around a third. This estimation is based on 2021 data but actual figures will vary depending on workforce transitions. The 2021 data was the most recent available at the time of modelling and analysis, and will be updated as more recent data becomes available. This is in addition to the savings that have been made by the changes to simplify the redundancy process, also announced in November 2016. This reduction to the cost of exiting staff where this is needed will make an important contribution to ensuring that employers can make the most effective use of their resources while protecting public services, which is vital during the recovery from the pandemic.

c). Ensure any early access to pension provision remains appropriate

6.5. The Government must ensure that any early access to pension provisions remains appropriate. It has carefully considered this and believes that increasing the minimum age at which an employer can receive an employer funded pension top up to minimum pension age, represents a fair deal to the taxpayer and the individual.

6.6. In recent years the Government has taken steps to reform public sector pension schemes and consequently most public service workers will be expected over time to work longer, most to state pension age before they take their pension unless they choose to take a reduced pension prior to this age. This will rebalance the proportion of adult life spent in retirement. It therefore makes sense to reform early access to pensions from the CSCS to link to these principles.

6.7. The initial 2017 consultation proposal was to allow employer-funded top-up pension from age 55 and for this to track 10 years behind the State Pension Age (SPA). In light of the current economic context and the need to reduce potential further cost within the CSCS, the Government continues to believe that this proposal offers a reasonable balance between offering savings for the taxpayer and respecting the needs of older workers approaching retirement age, by providing an important bridge to assist staff into retirement whilst acknowledging that people are able to work for longer and remain economically active later in life. The SPA increased to 66 in October 2020, and therefore the eligibility age for employer-funded top-up is proposed to be age 56, reflecting the policy of tracking 10 years behind the SPA. In 2028, State Pension Age will increase to 67, at which point eligibility for buy-out is proposed to align with Minimum Pension Age, which will increase to 57 from April 2028. Therefore, to maintain consistency in the interim period, it makes sense for eligibility for buy-out to track ten years behind State Pension Age at 56.

6.8. In the revised 2019 proposals, the provision of partial pension buy-out has been added. This means that individuals who have reached Minimum Pension Age would be able to use some or all of their compensation payment to buy out some of the actuarial reduction.

d). Ensuring efficiency compensation payments are appropriate for a modern workplace

6.9. The Government believes that the changes to the central guidance made in 2016 have been effective in ensuring that the use of efficiency compensation is limited to circumstances where there is underlying ill health. However, it is also important that the tariff for calculating awards is also appropriate.

6.10. In the 2017 consultation document the Government set out that it believes that its proposal to link efficiency compensation payments to the proposed terms for compulsory redundancy strikes a fair balance between the needs of the individual and the need to ensure an appropriate use of taxpayers' money. This offers a fairer approach than the current arrangements, where staff exiting on an efficiency departure can receive a significantly higher payment than staff leaving under an exit scheme.

6.11. During this earlier phase of the consultation period, unions argued that efficiency compensation payments should be linked to voluntary redundancy payments to reflect the unintended nature of these payments and honour the needs of each individual case. The Government was persuaded by this case and revised this proposal to link efficiency compensation payments to the voluntary redundancy tariff in 2019.

e). Supporting the flexible use of Voluntary Exits

6.12. The Government believes that Voluntary Exits are generally the best means of reducing staff numbers where this is necessary and so supports their use over redundancies wherever this is possible. In 2019, the Government was persuaded by union counter proposals that it is not necessary to set a higher maximum tariff for VE than VR in order to support this objective and therefore believes that its proposal to match the maximum terms of VE with VR, while maintaining flexibility within those terms is appropriate and meets its reform principle.

f). Where possible, implement a set of reforms that are agreed by Trade Unions

6.13. The Government revised its proposals in 2019 to reflect full consideration of the ideas put forward in consultation discussions and the formal counter proposals submitted by Trade Unions, by which it had been persuaded by a number of suggestions. The Government intends to continue to fully meet its obligations on consulting with a view to reaching agreement as set out in the Superannuation Act as the consultation continues with Trade Unions.

g). Align with the principles of public sector compensation reforms

6.14. The Government believes that this package is consistent with principles of the reform framework for public sector compensation schemes set out in the HM Treasury's response to its consultation on cross-public sector exit payment reform. These proposals for reform of the CSCS follow the key features of that framework, taking account of the flexibility to consider some limited variation in some areas where this was appropriate for a particular workforce.

6.15. As an example of this, the Government judges that the most appropriate and cost-effective means of limiting employer-funded early access to pension in the Civil Service is to increase the age at which an employee is able to receive an employer funded pension top up. The Government proposes to increase the age at which an individual becomes eligible for buy-out to age 56, which will track 10 years behind State Pension Age. On 20th July 2021, HM Treasury published the responses to their consultation to increase the minimum pension age from 55 to 57 in 2028.[4] In 2028, State Pension Age will increase to 67, at which point eligibility for buy-out will align to Minimum Pension Age, which will increase to 57 from April 2028. Therefore, to maintain consistency in the interim period, it makes sense for eligibility for buy-out to track ten years behind State Pension Age at 56. This would mean any Civil Servant under age 56 would not be eligible for actuarial buy-out, even if they have a protected minimum pension age.

[4] This can be found at: https://www.gov.uk/government/consultations/increasing-the-normal-minimum-pension-age-consultation-on-implementation

7. Summary of Equality Impact

7.1. The Government will carefully consider the equality impacts of its proposals before making any final decisions on a reformed CSCS and will publish a full equality impact analysis alongside its response to the consultation. However, in order to aid consultees' understanding of the Government's proposals during this stage of the consultation period, a summary of the likely impacts of these proposals is set out below, based on the 2020 workforce data.

Direct Discrimination

7.2. The only potential direct discrimination found in was in relation to age, due to early access to pension changes. Those in the 50-55 age bracket and those with long service (22 years or more) would see the most change in the amount they were likely to receive from the proposed changes. However, the Government's view was that this change was proportionate as it addressed a situation where otherwise those who were in the 50-55 age bracket received significantly higher payments than those in other age groups. Due to pension scheme changes, the numbers eligible to draw any pension from the age of 50 is limited and will steadily decline. Less favourable treatment on grounds of age is lawful if it is a proportionate means of achieving a legitimate social policy aim. The Government continues to believe that its proposals are justified in striking a balance between achieving value for money for the taxpayer by reducing further cost within the CSCS and offering fair compensation to employees.

Indirect Discrimination

7.3. Part time workers were looked at, due to the higher proportion of those that are female. Analysis showed there was no gender disparity within the most affected group with longer service when looking at changes to the tariff and the maximum months' salary available and the analysis concluded that there was unlikely to be a disparate impact for part time workers that would lead to indirect discrimination

7.4. For groups with other protected characteristics, there was no evidence to suggest that there was any negative impact on groups with the other protected characteristics that was disproportionate relative to others who differ in those characteristics.

Early access to pension

7.5. The 50-55 age group was also considered to assess whether there was potential indirect discrimination in relation to the protected characteristics of race, disability and gender. It was determined that there was no particular over-representation of those with these characteristics within the 50-55 age group.

Efficiency Compensation

7.6. A requirement for efficiency departures is that the staff member has an underlying health condition, it is recognised that disabled staff may be disproportionately impacted by the proposals and so there is a risk of indirect discrimination. Less favourable treatment on grounds of age and disability is lawful if it is a proportionate means of achieving a legitimate social policy aim. The Government continues to believe that its proposals are justified in striking a balance between achieving value for money for the taxpayer by reducing further cost within the CSCS and offering fair compensation to employees.