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REHANA AZAM (GMB)
MIKE CLANCY (Prospect)
STEVE GILLAN (POA)
PAUL HUNTER (Defence Police Federation)
MIKE MCCARTNEY (Unite)
DAVE PENMAN (FDA)
MARK SERWOTKA (PCS)
LUCILLE THIRLBY (UNISON)

cc. GEOFF LEWTAS (NTUC)

CIVIL SERVICE COMPENSATION SCHEME – FINAL OFFER

Dear all,

1. I am writing to make a formal offer to all trade unions on the changes to the Civil Service Compensation Scheme and a 2016 Cabinet Office Protocol on Civil Service Redundancy Principles.
2. As you know, we launched a consultation on changes to the Civil Service Compensation Scheme on 8 February, which closed on 4 May. This consultation was conducted with a view to reaching agreement with trade unions around a number of principles outlined in the consultation document, namely:
 - a. 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;
 - b. supporting employers in reshaping and restructuring their workforce to ensure it has the skills required for the future;
 - c. 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;
 - d. to create significant savings on the current cost of exits and ensure appropriate use of taxpayers money; and
 - e. to ensure any early access to pension provision remains appropriate.

3. We held a series of discussions throughout the consultation period with the National Trade Union Council (NTUC). I then wrote on 3 June to all unions who provided substantive responses to the consultation to invite them to continue with talks with the aim of reaching agreement on a set of reforms focussed around a basic structure outlined in that letter. In summary these were:
 - the CSCS terms will be reformed to produce significant savings;
 - the tariff to be three weeks per year of service;
 - the compulsory notice period to be reduced to three months;
 - the limits for both voluntary exit (VE) and voluntary redundancy (VR) exits to be set at 15 months' salary; and
 - for employer funded early access to unreduced pension to be available from age 55 (and then track 10 years behind state pension age).
4. We have also been clear over the last six months of our intention to reform the exit process to deliver cost saving and a more efficient process, including through changes to the 2008 and 2014 Protocols.
5. Our intention has always been to agree a negotiated package of reforms that meets the Government's objectives as set out in the consultation document and has the support of the majority of trade unions representing staff covered by the Civil Service Compensation Scheme. I am grateful to the FDA, Prospect, GMB, UNISON and the Defence Police Federation who responded positively to my letter of 3 June and have continued constructive discussions on this basis with a view to reaching agreement.
6. Following these discussions I am now setting out the detail of this formal offer, and our proposed course of action if we cannot reach agreement with a sufficient number of unions.
7. The headline terms of our formal offer are as follows:
 - the standard tariff to be three weeks' per year of service;
 - Voluntary Exit payments to be capped at 18 months' salary;
 - Voluntary Redundancy capped at 18 months' salary;
 - Compulsory Redundancy capped at 9 months' salary;
 - only to allow employer funded top up to pension from age 55 and for this to track 10 years behind state pension age;
 - to offer a partial buy out option for employees above minimum pension age where the cash value of the exit payment is insufficient to buy out fully the actuarial reduction or where the full exit payment is otherwise affected by other restrictions in legislation (e.g. the introduction of the £95,000 exit cap);
 - Compulsory Redundancy notice periods will be set at 3 months for new starters;
 - for the lower paid underpin to increase to £24,500;

- the Inefficiency Compensation tariff to be reformed to align with Voluntary Redundancy terms (i.e. a maximum of 18 months' salary) as part of a package of reforms which were originally agreed with the NTUC in May 2015 which limits its use to cases of underlying ill health, includes amending the management code and associated guidance and confirms eligibility for alpha and Nuvos members; and
- a revised 2016 Protocol for Civil Service Redundancy Principles with the following key features:
 - stronger workforce planning upfront with an enhanced role for the Recruitment and Redeployment Working Group;
 - minimum periods of formal consultation will be 45 days where there are more than 100 exits and 30 days where there are less than 100 employees;
 - Voluntary Exit and Voluntary Redundancy notice should be served at the point an individual agrees to exit the Civil Service as part of an exit scheme;
 - four weeks of redeployment support will be given to an individual if they do not accept voluntary redundancy; and
 - the 2016 Protocol will include the Senior Civil Service.

Full details are at Annex A.

- 8. This offer is conditional on acceptance by a sufficient number of unions, which the Minister for the Cabinet Office considers appropriate to constitute an agreement.**
9. If the offer is not accepted, the Minister intends to implement a reformed scheme in line with my letter of 3 June, as set out below:
- the standard tariff to be three weeks' per year of service;
 - Voluntary Exit payments to be capped at 15 months' salary;
 - Voluntary Redundancy capped at 15 months' salary;
 - Compulsory Redundancy capped at 9 months' salary;
 - only to allow employer funded top up to pension from age 55 and for this to track 10 years behind state pension age;
 - Compulsory Redundancy notice periods will be set at 3 months for new starters;
 - the Inefficiency Compensation tariff to be reformed to align with Compulsory Redundancy terms (i.e. a maximum of 9 months' salary) and to revise the PIN40 guidance; and
 - a set of central redundancy principles to be operated by departments to replace the current 2008 and 2014 Protocols.

10. In making this offer, the Minister has considered the views of all unions and an analysis of the responses received during the consultation period. The Minister has taken note of the comments made from trade unions throughout all discussions.
11. Trade Unions have consistently raised the question that any agreement reached should be "of an enduring nature". If the offer outlined in paragraph 7 is agreed by a sufficient number of unions, which the Minister considers appropriate to constitute an agreement, then the Minister for the Cabinet Office will confirm, by Written Ministerial Statement, that "*The Government believes that this is a strong negotiated settlement reached with Trade Unions that have engaged constructively in discussions that means that this provides a firm foundation for the management of the Civil Service and its people for a generation. This administration will not seek to deviate from this agreement. With this reform concluded, I want to work with Trade Unions on the aspirations we both have to make the Civil Service an even better place to work.*"
12. Can you please respond to this letter with confirmation of whether your union will accept the offer by 31 October at the very latest. The Minister will consider the views of all unions before making a final decision and determining which scheme to implement. The intention is that an amendment scheme will be laid before Parliament in early November and new terms will come into effect the day after.
13. I have attached the Government's formal response to the consultation document, which will be published later today. This includes an analysis of the consultation responses. I have also attached an assessment of the equality impacts. I will write shortly to share the draft regulations for your comments.
14. This offer has been made in the light of the consultation response from HM Treasury on wider public sector exit reforms, published earlier today. We have agreement from HM Treasury Ministers that this offer is in keeping with the principles of the reforms across the public sector.
15. If you have any questions or want to clarify anything, please let me know.



SIMON CLAYDON