

EAST HERTS COUNCIL

HUMAN RESOURCES COMMITTEE - 1 MARCH 2010

REPORT BY THE DIRECTOR OF INTERNAL SERVICES

REQUEST FOR FLEXIBLE RETIREMENT

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

This report asks the Committee to consider and determine a request for flexible retirement from a senior member of the Council's staff "A" to take effect from 22 March 2010.

RECOMMENDATION FOR DECISION

(A)	That Human Resources Committee consider the request for flexible retirement from the member of staff "A" as set out in those papers containing exempt information; and
(B)	That the Human Resources Committee having regard to the additional factors set out in this report, and in particular whether the costs involved represent an appropriate use of public funds, determine the application.

1.0 Background

The Council has adopted a flexible retirement policy as follows:

"Flexible Retirement (Regulation 18)

8.1 What is flexible retirement?

Rather than continuing in your job to 65 you can, on or after age 50 (age 55 from 1 April 2010) and with your employer's consent, reduce your hours or grade (which will require new job description and person specification) and draw your accrued Local Government pension scheme benefits whilst continuing in

employment and building up further benefits in the Scheme – enabling you to ease into retirement.

8.2 The benefits to the Council of flexible retirement are:

- Retention of key skills and knowledge
- Ability to encourage knowledge and skills transfer
- Added flexibility around where the employee works and the filling of their post

8.4 Criteria:

The Council policy is that this pension scheme provision may be used in cases where:

- The permanent reduction in hours is greater than 25% of their current working hours and/or
- There is a reduction in grade
- An application for flexible retirement is received within 3 months of a change in reduction of 25% of hours and/or grade
- The employee has at least three months total membership or has brought a transfer value into the LGPS
- Initiated by employee by means of an application form submitted to their Head of Service.

2.0 Report

- 2.1 The application the Committee is asked to determine is significant and the balance of this report sets out the service and financial implications the Committee should consider in addition to the factors set out in the application. Council Members and officers, and in this case the Members of the HR Committee, have a fiduciary duty towards council tax payers to ensure proper use of public funds when making decisions which will incur any expenditure. The Committee must be convinced of the financial merits of the case before giving their approval.
- 2.2 The application and supporting statement from Applicant “A” are set out in the confidential part of the agenda. It is for the Committee to consider what weight to give to each element of the case put forward.
- 2.3 The minimum criteria set out above before an application can be considered are met. Given the age and service of the applicant

flexible retirement with immediate payment of benefits is possible to the end of March 2010 or from a point 5 years from this date (see policy statement above).

- 2.4 The cost to the Council, if the application is approved, will be a payment to the pension fund of £144,262 or £51,893 per year over three years. This payment represents what is referred to as “strain costs” being the difference between the estimated cost to the fund of early payment of the pension and the estimated saving to the fund by the reduction in pension benefits (using guidance from the government actuary) at cost to the applicant. Actual experience may cause the real cost to vary either way from this estimated figure (with longevity being the most unpredictable variable). Any such variance will factor into future rates of employer pension contributions.
- 2.5 The strain cost will be offset by a reduction in salary, pension, and National Insurance costs and in simple cash terms will be recovered within not more than 5 years of future service. That reduction in salary will arise because the Council will be in receipt of fewer hours of service across the year. In scoring the reduction in salary as an offset to the pension strain costs the Committee will need to consider the extent to which effectiveness can be maintained despite the reduction in hours. The application and supporting statement touch on these points.
- 2.6 A key argument put forward in support of approval of the application is that this will secure the retention in post of the incumbent. “A” is prepared to enter into an agreement to underwrite their commitment to remain with the Council. The agreement would provide for “A” to pay a monetary amount to the Council in the event they, by their choice, do not remain with the Council until the salary saved has off set the strain costs. The proposed form of agreement is set out in the confidential part of the agenda. The Committee needs to consider whether the agreement and other assurances given by applicant “A” are adequate to meet the retention requirement.
- 2.7 The Committee needs to weigh separately the benefits of retention as it sees them against any potential loss of flexibility to bring about organisational change through turnover.
- 2.8 The Committee needs to consider the benefits as set out by the applicant against the likelihood that the applicant might leave or lose motivation if the application is rejected. If the Committee

accept these to be significant risks they should consider the potential impacts this might have on service provision. A factor in this consideration is the costs of recruitment and any potential need to enhance the salary to recruit some one of equivalent capability.

- 2.9 It is also relevant for the Committee to consider the risk that the financial agreement might need to be set aside by the Council to facilitate organisational restructuring at some point in the future and before the strain costs have been off set by salary reduction. Once the flexible retirement is in place it cannot be unwound in the sense that pension benefits cannot be suspended or clawed back should the Council require the applicant to return to whole time service.
- 2.10 The applicant “A” will be available to meet the Committee to respond to questions on any aspect of the application in the confidential part of the agenda.

3.0 Implications/Consultations

- 3.1 Information on any corporate issues and consultation associated with this report can be found within Essential Reference Paper ‘A’.

Background Papers

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ESSENTIAL REFERENCE PAPER 'A'

<p>Contribution to the Council's Corporate Priorities/ Objectives</p>	<p>This post is relevant to all the Council's priorities</p> <p>Promoting prosperity and well-being; providing access and opportunities <i>Enhance the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable.</i></p> <p>Fit for purpose, services fit for you <i>Deliver customer focused services by maintaining and developing a well managed and publicly accountable organisation.</i></p> <p>Pride in East Herts <i>Improve standards of the neighbourhood and environmental management in our towns and villages.</i></p> <p>Caring about what's built and where <i>Care for and improve our natural and built environment.</i></p> <p>Shaping now, shaping the future <i>Safeguard and enhance our unique mix of rural and urban communities, ensuring sustainable, economic and social opportunities including the continuation of effective development control and other measures.</i></p> <p>Leading the way, working together <i>Deliver responsible community leadership that engages with our partners and the public.</i></p>
<p>Consultation:</p>	<p>None</p>
<p>Legal:</p>	<p>The LGPS regulations apply</p>
<p>Financial:</p>	<p>Strain costs payable to the pension fund £144262. Salary and on cost savings pro rata to 25% reduction in hours.</p>
<p>Human Resource:</p>	<p>The Council's retirement policy statement applies.</p>
<p>Risk Management:</p>	<p>The major risks are that the Council determine at some future date that the role requires whole time service including in circumstances of a proposed restructuring or joint working opportunity.</p>

