

## PERTH AND KINROSS COUNCIL

## Strategic Policy &amp; Resources Committee – 23 September 2015

## SAVINGS ARISING FROM EARLY RETIREMENT DECISIONS TAKEN IN 2014/15

## Report by Head of Finance

**PURPOSE OF REPORT**

This report provides information on the costs and savings arising from early retirement decisions taken in the financial year 2014/15.

**1. BACKGROUND**

- 1.1 On 17 September, 2003 this Committee approved Report No. 03/457 which detailed the Council's response to Audit Scotland's local report on early retirement entitled "Bye Now Pay Later part 2".
- 1.2 One of the recommendations in the Audit Scotland report was that the Council be informed of the costs and/or savings arising from decisions taken by Executive Directors, under delegated authority, to approve employee early retirements. The presentation of this report ensures that the Council complies with that recommendation.
- 1.3 On 4 February, 2009, this Committee approved Report No 09/70 which set out new retirement provisions as part of the Council's workforce planning arrangements and included revised scrutiny and governance arrangements.

**2. PROPOSALS**

- 2.1 The Committee is asked to note the overall net savings achieved in Appendix 1. The overall net savings tabulated in the Appendix are split between those Council staff who are members of the Local Government Pension Scheme and Teachers whose pension arrangements are administered by the Scottish Public Pensions Agency. Appendix 1 includes all early retirements approved during 2014/15.
- 2.2 It should be noted that in the most recent analysis by Audit Scotland (which was carried out in financial year 2012/13) Perth & Kinross Council performed as follows:

| Measurement  | Placing out of 32 Councils                |
|--|---|
| Total Cost of Exit Packages as a Proportion of Net Revenue Spend | 29 <sup>th</sup> - 4 <sup>th</sup> lowest |
| The Average Cost of Exit Packages                                | 25 <sup>th</sup> - 8 <sup>th</sup> lowest |

### 3. CONCLUSION AND RECOMMENDATION

- 3.1 Based on the approach recommended by Audit Scotland the Council has achieved savings of £158,151 over a five year period with one-off costs of £9,569 in relation to members of the Local Government Pension Scheme. In respect of members of the Teacher's Pension scheme savings of £55,414 have been achieved over a 10 year period with a one off cost of £14,916 as indicated in Appendix 1.
- 3.2 An analysis of the approved early & flexible retirement applications over the medium term identified no equalities issues and that the numbers were proportionate to the age/gender profile of the workforce. Ongoing monitoring in this regard will continue to achieve value for money, accountability, transparency and equality of treatment.
- 3.3 The Committee is asked to note the contents of this report.

#### Author

| Name            | Designation                | Contact Details  |
|-----------------|----------------------------|--|
| Craig Robertson | Central Accounting Manager | Ext. 75635<br><a href="mailto:crobertson@pkc.gov.uk">crobertson@pkc.gov.uk</a> |
| Scott Walker    | Chief Accountant           | Ext. 75515<br><a href="mailto:swwalker@pkc.gov.uk">swwalker@pkc.gov.uk</a>     |

#### Approved

| Name       | Designation     | Date           |
|------------|-----------------|----------------|
| John Symon | Head of Finance | 26 August 2015 |

## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

| <b>Strategic Implications</b>                       | <b>Yes / None</b> |
|---|-------------------|
| Community Plan / Single Outcome Agreement           | None              |
| Corporate Plan                                      | Yes               |
| <b>Resource Implications</b>                        |                   |
| Financial   | Yes               |
| Workforce   | Yes               |
| Asset Management (land, property, IST)              | None              |
| <b>Assessments</b>                                  |                   |
| Equality Impact Assessment                          | Yes               |
| Strategic Environmental Assessment                  | Yes               |
| Sustainability (community, economic, environmental) | Yes               |
| Legal and Governance                                | None              |
| Risk  | None              |
| <b>Consultation</b>                                 |                   |
| Internal  | None              |
| External  | None              |
| <b>Communication</b>                                |                   |
| Communications Plan                                 | None              |

### 1. Strategic Implications

#### Corporate Plan

1.1.1 The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

1.1.2 This report relates to all of these objectives.

### 2. Resource Implications

#### 2.1 Financial

2.1.1 This report provides retrospective information on decisions taken in the previous financial year (2014/15) and as such, there are no direct financial implications arising from the report.

## 2.2 Workforce

- 2.2.1 There are no direct workforce implications arising from this report other than those retrospectively reported in Appendix 1.

## 3. **Assessments**

### 3.1 Equality Impact Assessment

- 3.1.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.1.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA).
- 3.1.3 The most relevant equalities characteristics in relation to retirement are age and sex. The actual number of applications with approved/rejected breakdown demonstrates the figures are proportionate to the age/gender profile for the workforce.
- 3.1.4 The application of added years for early retirements due to efficiency/redundancy has been applied in accordance with the retirement scheme provisions.
- 3.1.5 In summary, based on an analysis of the data, there are no equalities issues.

### 3.2 Strategic Environmental Assessment

- 3.2.1 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.2.2 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

### 3.3 Sustainability

- 3.3.1 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.3.2 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

## 2. BACKGROUND PAPERS

The following background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (and not containing confidential or exempt information) were relied on to a material extent in preparing the above report.

|                     |                          |
|---------------------|--------------------------|
| Background papers:– | Report 03/457            |
|                     | Bye Now Pay Later Part 2 |
|                     | Report 09/70             |
|                     | Retirement Scheme        |

## 3. APPENDICES

**Appendix 1** – Total net savings/costs arising from early retiral decisions taken in 2014/15.

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Council Text Phone Number 01738 442573



**NET SAVINGS / COSTS ARISING FROM EARLY RETIREMENT DECISIONS TAKEN IN 2014/15****Local Government Pension Scheme (LGPS)**

|   | <u>One-off costs</u> | <u>Revenue cost / (saving)</u> |                  |                  |                 |                  |                  | <u>Net revenue cost/(saving)</u> | <u>No of retirals</u> |
|---|----------------------|--------------------------------|------------------|------------------|-----------------|------------------|------------------|----------------------------------|-----------------------|
|   |                      | <u>2014/15</u>                 | <u>2015/16</u>   | <u>2016/17</u>   | <u>2017/18</u>  | <u>2018/19</u>   | <u>2019/20</u>   |                                  |                       |
| <b>Various Services of the Council</b><br>(excl teaching staff) |                      |                                |                  |                  |                 |                  |                  |                                  |                       |
| <b>Early Retirals</b>   | £8,295               | £(11,006)                      | £(14,675)        | £(14,969)        | £(14,969)       | £(14,969)        | £(11,227)        | <b>£(73,520)</b>                 | 2                     |
| <b>Redundancy Only</b>  | £1,274               | £0                             | £0               | £0               | £0              | £0               | £0               | <b>£1,274</b>                    | 1                     |
| <b>Flexible Retirals</b>  | £0                   | £(3,560)                       | £(26,352)        | £(19,376)        | £6,204          | £(19,001)        | £(14,251)        | <b>£(76,336)</b>                 | 12                    |
| <b>Voluntary Retirals</b>                                       | £0                   | £0                             | £0               | £0               | £0              | £0               | £0               | <b>£0</b>                        | 0                     |
| <b>TOTAL COST/(SAVING) FOR LGPS RETIRALS</b>                    | <b>£9,569</b>        | <b>£(14,566)</b>               | <b>£(41,027)</b> | <b>£(34,345)</b> | <b>£(8,765)</b> | <b>£(33,970)</b> | <b>£(25,478)</b> | <b>£(148,582)</b>                | <b>15</b>             |

The information provided is based on decisions taken in financial year 2014/15 as detailed on the five year cost projection forms authorised by Executive Directors. Those forms include information on a five year period from the date of retirement and generally, therefore, include a part year saving in both 2014/15 and 2019/20.

**Scottish Teachers Pension Scheme (SPPA)**

Early retirement costings for SPPA are projectd over a ten year period

| <u>Service</u>   | <u>One-off costs</u> | <u>Revenue cost / (saving)</u> |                 |                 |                 |                 |                 |   | <u>Net revenue cost/(saving)</u> | <u>No of retirals</u> |
|--|----------------------|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---|----------------------------------|-----------------------|
|  |                      | <u>2014/15</u>                 | <u>2015/16</u>  | <u>2016/17</u>  | <u>2017/18</u>  | <u>2018/19</u>  | <u>2019/20</u>  | <u>sub total</u><br><u>next 5 years</u> |                                  |                       |
| <b>Education &amp; Children's Services</b> (teaching staff only) | £14,916              | £7,883                         | £(7,033)        | £(7,033)        | £(7,033)        | £(7,033)        | £(7,033)        | £(20,249) £(35,165)                     | <b>£(40,498)</b>                 | 1                     |
| <b>SPPA COST/(SAVING)</b>  | <b>£14,916</b>       | <b>£7,883</b>                  | <b>£(7,033)</b> | <b>£(7,033)</b> | <b>£(7,033)</b> | <b>£(7,033)</b> | <b>£(7,033)</b> | <b>£(20,249) £(35,165)</b>              | <b>£(40,498)</b>                 | <b>1</b>              |