

## Regulatory and Other Committee

### Open Report on behalf of Debbie Barnes

Report to:	<b>Pay Policy Sub Committee</b>
Date:	<b>04 July 2016</b>
Subject:	<b>Update to the Council's Flexible Retirement Policy</b>

#### Summary:

The Council's Flexible Retirement Policy has been updated. The Sub-Committee is requested to note the reasons for the changes which are:

In light of financial challenges, changes have been made to ensure the policy is more flexible for the Council to use as a cost effective option to enable the retention of key skills in the short/medium term to meet operational needs, e.g. as a transition arrangement as part of a service restructure

To reflect changes in Pensions regulations

To reflect administrative changes as reflected in the Appendix to the Policy, as a result of the new arrangements established between West Yorkshire Pension Fund as the main pensions administrator and Serco as the HR and payroll provider.

#### Recommendation(s):

To note and approve the changes to the Council's Flexible Retirement Policy in Appendix A.

#### Background

A key objective for the Council's Workforce Strategy is to provide a sustainable workforce and address the issue of an ageing workforce.

This policy enables an employee to draw their pension at the same time as remaining an employee of the Council, provided there is a reduction in their grade or hours or both. When an employee is 55 years or older, and has at least 2 years pensionable service, s/he may be eligible for flexible retirement, subject to the Council's consent and specific criteria.

The flexible retirement policy has been in place since 2008. The policy has been updated to take account of recent pension regulation changes and procedural

changes reflecting the new pension and payroll administration providers' arrangements.

In addition, the flexible retirement policy has not been widely used in recent years. The Council therefore wishes to promote flexible retirement to be available as an additional option for employees, should workforce reductions be required in the future. As such, the policy has been amended to make more explicit reference to its use in managing workforce planning decisions, enabling the retention of key skills over the short/medium term, thus avoiding redundancy in the short term.

The previous County Council flexible retirement policy was very focussed on the needs and cost considerations of the Council and was also prescriptive in the criteria in place for either a reduction in pay or grade by employees.

Revisions have therefore been made to expand the criteria to ensure the Council is not focussed on cost alone, but also meeting the operational needs and financial challenges of the organisation.

All individual cases are subject to scrutiny of organisational costs and benefits, and requests will be approved or rejected based on business reasons. This process for considering the individual business cases is set out in the Appendix to the policy,

N.B.

- a) Legislation to cap public sector exit payments is expected to come into effect on or around 1<sup>st</sup> October 2016. The cap includes all payments (including pension strain) in relation to all exits from relevant employments. There are a limited number of exempt payments such as death or injury, serious ill- health and ill health retirement. Due to the high cap threshold, it is anticipated that a relatively small number of individuals will be affected by the cap, but it is possible that middle managers with long service could be impacted.
- b) Regulations are awaited from HM Treasury on the implementation of the public sector exit cap and it is expected that this will clarify how the cap will interact with flexible retirement. It is understood that the regulations will say that if a pension member's drop in pay/ hours is made via a variation to their contract of employment at the time of their flexible retirement, this will not be treated as a trigger of the exit payment cap. It should be noted that the Council's policy has always and remains to treat flexible retirement as a contract variation.
- c) Additionally, the financial benefits an employee receives through taking flexible retirement are not a qualifying payment for the purposes of the draft Repayment of Public Sector Exit Payments Regulations 2016.
- d) The Government have indicated that if there is an indication that local authorities are using flexible retirement as a way of avoiding the exit cap provisions, they might well consider tightening the Exit Cap Regulations at a future date.

## Conclusion

The changes to the policy will enable the Council to meet the operational needs and financial challenges of the organisation. Based on individual business cases being approved, the policy can be used, when an individual request is made, which will support workforce planning decisions, enabling the retention of key skills over the short/medium term, thus avoiding redundancy costs in the short term.

## Consultation

### a) Policy Proofing Actions Required

N/A

## Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire County Council's Flexible Retirement Policy

## Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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