

South Ayrshire Council

**Report by Chief HR Officer
to South Ayrshire Council
of 6 March 2025**

Subject: Flexible Retirement

1. Purpose

1.1 The purpose of this report is to seek approval to implement the new Flexible Retirement Policy.

2. Recommendation

2.1 It is recommended that the Council approves the re-introduction of the Flexible Retirement Policy (as contained in Appendix 1).

3. Background

3.1 Employees may retire under a variety of circumstances. The Employee Retirement Framework consolidates the various retirement options available and sets out the Council's position on each. It also outlines the discretionary powers afforded to the Council and how these discretions will be exercised in accordance with the Local Government Pension Scheme.

3.2 Flexible retirement enables pension fund members aged 55 and over to access their pension benefits while continuing in employment, provided they reduce their working hours by at least 20%. Local authorities must determine whether to adopt this discretion. Flexible retirement applies exclusively to Local Government Employees and does not extend to staff covered by SNCT terms and conditions, whose retirement provisions fall under the Scottish Teachers Superannuation Scheme.

3.3 Initially, flexible retirement was introduced on the condition that employees bore any associated strain on fund costs resulting from early retirement. However, in late 2015, Strathclyde Pension Fund advised that future costs must be borne by the Council and could no longer be passed onto employees.

3.4 In response to Strathclyde Pension Fund advice, the Leadership Panel approved revisions to the Flexible Retirement provisions in January 2016, restricting approval to cases where:

(a) There is no financial cost to the Council; and

(b) The ongoing employment of the individual is deemed business critical;
and

(c) The employee reduces their working hours by a minimum of 20%.

3.5 Additionally, all flexible retirement requests require the approval of the Chief Executive.

3.6 As part of this policy review, a benchmarking exercise was conducted to compare retirement options across other Local Authorities.

4. Proposals

4.1 Given the significant financial challenges currently facing the Council, it is imperative to ensure that the workforce is strategically aligned with evolving service delivery requirements and workforce priorities. There is no single or straightforward solution to overcoming these financial pressures. To effectively respond to the shifting financial landscape of local government, organisational structures must remain flexible and adaptable through the application of Service Redesign principles.

4.2 In consultation with trade unions and to support succession planning—particularly in roles where employee skills and expertise are difficult to replace, such as professional, technical, and hard-to-recruit positions—the Council proposes the introduction of a new Flexible Retirement Policy. A summary of the proposed changes, along with trade union feedback and the corresponding HR response, is provided in Appendix 2. While trade unions are generally supportive of this proposal, they have raised concerns regarding the ability of front-line roles to access flexible retirement.

4.3 Teachers currently have access to a phased retirement scheme to facilitate a gradual transition into retirement. The proposed Flexible Retirement Policy aims to offer a comparable opportunity for Local Government Employees.

4.4 To support both succession and financial planning, the proposed policy requires employees to reduce their working hours by a minimum of 50%, with a maximum two-year period from the commencement of flexible retirement to the employee's full retirement date. In exceptional circumstances this period may be extended to a maximum of 4 years.

4.5 Flexible retirement provides services with a strategic tool to achieve financial savings while enabling employees to transition smoothly into retirement. The policy offers a range of options, such as:

- Deleting 50% of the budgeted post and subsequently deleting the remaining budget upon the employee's full retirement.
- Using the budget balance to fund a trainee position, thereby supporting workforce succession planning and strengthening the future skills pipeline, which in turn reduces future recruitment costs.

4.6 Under the Flexible Retirement scheme, employees access their accrued pension benefits at the commencement of their flexible retirement. Actuarial reductions are applied to pension benefits to account for early access. However, as strain on the fund costs have increased, and in some cases, even with actuarial reductions, residual strain costs may remain. These costs cannot be passed on to the employee.

4.7 All applications for Flexible Retirement will be considered on a case-by-case basis. Where strain on the fund costs is identified, applications must be supported by a robust business case. In instances where these costs can be justified, access to the Workforce Change Fund may be available to support the financial implications.

5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 There may be associated strain on the fund costs that would be considered on a case-by-case basis.

7. Human Resources Implications

7.1 None in terms of staffing levels. The Framework will be applied to all relevant staff and managers will be given support from HR to ensure fair and consistent application.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*


8.1.1 There are no risks associated with adopting the recommendations.

8.2 *Risk Implications of Rejecting the Recommendations*

8.2.1 There are no risks associated with rejecting the recommendations.

9. Equalities

9.1 An Integrated Impact Assessment has been carried out on the proposals contained in this report, which identifies potential positive and/ or negative impacts and/ or areas that require further consideration. The IIA Summary Report is attached as Appendix 3 which includes information on any mitigating or follow-up action required.

9.2 A copy of the fully completed IIA can be accessed here:  [IIA - Flexible Retirement Policy 140225.xlsm](#).

10. Sustainable Development Implications

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

12.1 The matters referred to in this report contribute to Priority 4 of the Council Plan: Efficient and effective enabling services.

13. Results of Consultation

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

14. Next Steps for Decision Tracking Purposes

14.1 If the recommendations above are approved by Members, the Chief HR Officer will ensure that all necessary steps are taken to ensure full implementation of the decision within the following timescales, with the completion status reported to the Cabinet in the 'Council and Cabinet Decision Log' at each of its meetings until such time as the decision is fully implemented:

Implementation	Due date	Managed by
Publish the Flexible Retirement Policy	31 March 2025	Chief HR Officer

Background Papers **None**

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Date: **26 February 2025**

Flexible Retirement

Appendix 1

March 2025



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Version Control

Version Number	Effective Date	Details of Revision	Responsible Person	Review Date
1	January 2025	Review of Flexible Retirement Policy and Procedure	L Boyd/L Ponton	
2				
3				

1. Introduction

- 1.1 The Council believes that employees of all ages make a valuable contribution to its success and is fully committed to employing a diverse workforce. It recognises that some employees may elect to remain in the workplace longer. Changes to HMRC and Pension Regulations allow employers the option to allow employees to source their pension benefits whilst remaining in employment in a reduced capacity. Flexible Retirement gives pension fund members greater flexibility and choice, allowing them to transition into retirement. This Policy reflects individual choice as well as the need for the Council to exercise discretion where necessary to ensure business needs are met. It does not provide an **automatic right** to flexible retirement as there will always be circumstances when the Council is unable to accommodate the employee's request.

It is recognised that there is a need to consider requests for flexible retirement to support workforce/succession planning especially in areas where the skills and abilities of the employee would be difficult to replace in professional/technical and hard to recruit roles.

2. Scope

- 2.1 This policy and procedure applies to all employees who are members of the Local Government Pension scheme and who meet the eligibility criteria in section 3 below.

3. General principles

- (a) This Policy represents the procedure to be followed. In terms of entitlement to apply for flexible retirement and access to pension benefits, the conditions of access will be governed by the relevant pension scheme regulations.
- (b) Employees must be aged 55 or over and have at least 2 years local government pension scheme membership.
- (c) Employees requesting flexible retirement will be required to reduce their contracted weekly hours on a permanent basis by a minimum of 50% in one of the following ways:
- a. 50% deletion of post in year 1 and then deletion of balance of hours once employee retires
 - and/or
 - b. 50% used to fund trainee position for professional/technical roles/hard to recruit posts.
- (d) Employer consent must be given to early payment of pension benefits.
- (e) As Flexible Retirement enables the employee to transition in to fully retiring, the retirement must be within 2 years from date of flexible retirement. In exceptional circumstances, an extension to this timescale may be granted (up to a maximum of 4 years).
- (f) Human Resources will request details of estimated benefits for the employee, costs to the Council and any actuarial reduction that may be applied to the employee's benefits from the Strathclyde Pension Office to enable the Service and the employee to make an informed decision of the merits of such a request.
- (g) When considering requests for flexible retirement the general rule is there should be

no cost to the Council or impact on service delivery to minimise financial impact.

- (h) In exceptional circumstances, consideration may be given to a request where there are associated costs. In such instances the costs associated with the request must meet the Council's agreed 3 year payback period and a business case requires to be presented to the Chief Executive for approval.
- (i) As with all employees, the Council reserves the right to refer an employee to Occupational Health for a medical assessment at any time where it is considered necessary or appropriate.
- (j) Any approval given to flexible retirement relates only to the employee's current job and is not transferable. There will be a requirement for the employee to confirm their leaving date as part of the Flexible Retirement agreement.

4. Applications for Flexible retirement

- (a) Employees are personally responsible for considering all implications including financial, relating to their pension position with regard to flexible retirement.
- (b) Applications for flexible retirement and any reduction in contracted hours must be acceptable in terms of the exigencies of the service.
- (c) Employees requesting flexible retirement should submit their application to their relevant Service Lead. A meeting should be convened within 14 days of the request to discuss the proposal. The purpose of the meeting is to consider the feasibility of the request.
- (d) To allow sufficient time to enable provisional pension benefit figures from Strathclyde Pension Fund to be provided and operational matters considered, an application for flexible retirement should be submitted at least **6 months** before the proposed commencement date.
- (e) Employees should note that applications require to go through an approval process where both costs and impact on service delivery will be considered, therefore not every request will be approved. However, there may be an opportunity to re-apply but there can only be one flexible retirement application can be submitted within a 12-month period.

5. Operational Guide

5.1 Responding to the Employee's Request

- (a) When a request is received the Service Lead will discuss the request with the employee and make an initial assessment of the proposed working arrangement on service delivery.
- (b) Where a request can be supported in principle by the Service Lead following the initial assessment, the Service Lead will liaise with their HR Advisor to enable a request to be made to Strathclyde Pension Fund Office for the estimated benefits for the employee and costs to the Service. This may take approximately 4 months.
- (c) When available, the HR Advisor will provide the employee with their benefit estimate along with their Flexible Retirement application form.
- (d) Following receipt of the benefit estimate, the employee should confirm if they wish/do not wish to proceed with their application. Employees are reminded that applications

are considered on the basis of cost to the Council and impact on service delivery, therefore their application may not be approved.

- (e) If the employee wishes to proceed, the HR Advisor will provide an estimate of costs to the Service Lead for discussion with their Principal Accountant and Assistant Director.
- (f) The Assistant Director will consider the business case presented in relation to the request and confirm if they are supportive of the request.
- (g) If the Assistant Director supports the request, the completed application form should be forwarded to the Chief HR Officer to certify that all the necessary supporting documentation is available.
- (h) Once approved, the Service Lead will meet with the employee to advise the outcome of their application. The meeting will be used to agree/confirm the flexible retirement arrangements and provide the pension paperwork for completion.
- (i) The outcome of the meeting will be confirmed to the employee within 14 days and details provided to the HR Advisor to arrange for a new contract of employment to be issued based on the flexible retirement work pattern.
- (j) If after considering the request, a decision is taken to deny the request, this should be discussed with the Chief HR Officer, thereafter the Service Lead must meet with the applicant within 14 days. This will enable the Service Lead to discuss the request with the employee. The employee has a right to be accompanied at the meeting by an appropriate work colleague or trade union representative. The outcome will be confirmed in writing informing the employee of their right of appeal.
- (k) The request **should not** normally be subject to a medical check by Occupational Health unless there are genuine concerns about the employee's ability to continue working under flexible retirement arrangement in their post in which case a referral should be made to HR-PolicyOperations@south-ayrshire.gov.uk requesting an Occupational Health assessment.

5.2 Appeal Meeting

- (a) The employee has a right of appeal against the decision reached by their Assistant Director (within 14 days of notification of the decision). The employee or their representative on their behalf should appeal in writing to Chief HR Officer.
- (b) The Chief HR Officer will arrange for a nominated Chief Officer to hear the appeal within 14 days. The employee has the right to be accompanied by an appropriate work colleague or trade union representative.
- (c) The appeal meeting provides an opportunity for the employee to outline their case. At the end of the meeting a decision may be taken that whilst the employee's stated request cannot be accepted, there may be a compromise solution, the employee should be informed in writing.
- (d) If after the appeal meeting, a decision is taken to accept the employee's request, they should be informed in writing confirming the effective date of the flexible retirement together with a contract detailing the revised working hours.
- (e) Where a decision is taken to reject the appeal, the employee should be informed in writing within 14 days after the date of the meeting.
- (f) Where an appeal is not upheld, the employee has the right to appeal as part of the Grievance Procedures to the Council's Appeals Panel. Appeals should be submitted to the Chief Governance Officer, Legal and Regulatory Services within 14 days from the date of receipt of the Chief Officer decision. A meeting of the Appeals Panel will be called within 28 days of the request for a hearing being received.

6. Reasons for Refusing a Request

- The burden of additional costs to the Council
- An inability to reorganise work among existing employees
- An inability to recruit additional employees
- A detrimental impact on quality
- A detrimental impact on performance
- A detrimental effect on ability to meet customer demand
- Insufficient work available for the periods the employee proposes to work
- Planned structural changes to the business

7. Employee Considerations

- 7.1 Employees should be aware of the following when considering flexible retirement:
- (a) Flexible retirement is a permanent contractual change until date of retirement.
 - (b) Remaining in employment whilst in receipt of pension benefits may result in a higher rate of tax.
 - (b) Employees are agreeing to draw their full pension benefits accrued up to the start date of the flexible retirement (subject to any actuarial reduction). It is not possible to opt to draw only part of these benefits.
 - (c) Employees can rejoin the pension scheme building up new pension benefits based on their reduced salary, these benefits will become payable when fully retiring. Employees can also elect to make AVC contributions should they wish to do so.
 - (d) Employees who do not wish to rejoin the pension scheme will not be entitled to receive any additional LGPS pension when they fully retire and will not be eligible for death in service benefits.
 - (e) Further information can be accessed from www.spfo.org.uk or by telephoning 0345 890 8999.
 - (f) It is recommended that employees seek independent financial advice to ensure they are fully aware of any financial implications with regard to flexible retirement. Details of Independent financial services can be found within the Financial Conduct Authority's Financial Services Register at <https://www.fca.org.uk>.

8. Policy Review

- 8.1 This policy will be reviewed in light of operational experience, legislation and effectiveness. Requests will be monitored to ensure equalities principles apply.

Flexible Retirement
Summary of Amendments – January 2025

Section	Change	Trade Union Comment	HR Response	Agreed/Not agreed
Current Retirement Framework section 3 – LGE				
Currently we don't offer to employees. However, there are exceptional circumstances as detailed below.	The Council wishes to allow employees to source their pension benefits whilst remaining in employment in a reduced capacity. This is not an automatic right, but employees will be able to request to be considered.			
Eligibility: <ul style="list-style-type: none"> • There is no cost to the Council and • Where there is a business critical reason and • Where there is a reduction of at least 20% 	Eligibility: <ul style="list-style-type: none"> • Employees will be required to reduce their contracted weekly hours on a permanent basis by a minimum of 50% in one of the following ways: <ul style="list-style-type: none"> a. 50% deletion of post in year 1 and then deletion of balance of hours once employee retires. and/or b. 50% used to fund trainee 	PB, BC and CR concerned re trainees – will they be recruited and not just “hand picked” – need to have career grades in place also how do employees progress in the higher graded posts, we need to consider succession planning at higher levels too.	We will have a proper recruitment and selection process for trainees and job evaluated career grades, we will also recruit internally in the first instance unless the skills don't exist internally. We will also consider experience, and not just qualifications, we wish to have a “grow our own” approach where we can.	

	<p>position for professional/technical roles/hard to recruit posts.</p> <ul style="list-style-type: none"> • Retirement must be within 2 years from date of flexible retirement commencing (can be extended to a max of 4 years in exceptional circumstances) • Confirmation of date of leaving as part of Flexible Retirement agreement • General rule that there will be no cost to the Council • In exceptional circumstances, consideration may be given to a request where there are associated costs but these must meet the Council agreed 3 year pay back period 	<p>PB and CR concerned we provide training then trainee leaves SAC for higher salary elsewhere</p> <p>CR concerned what would happen if trainee didn't achieve qualification and also if trainee takes a break from the qualification – contingencies would need to be put in place.</p>	<p>Trainees would be required to sign a learning agreement.</p> <p>Trainee progress would be reviewed on a regular basis to identify at an early stage, that progress is being made as expected. There is the option to extend flexible retirement timescales to 4 years in exceptional circumstances.</p>	
Current Retirement Framework section 3 – Teachers				
There are no changes to the current Teachers Phased Retirement Scheme	There are no changes to the current Teachers Phased Retirement Scheme			

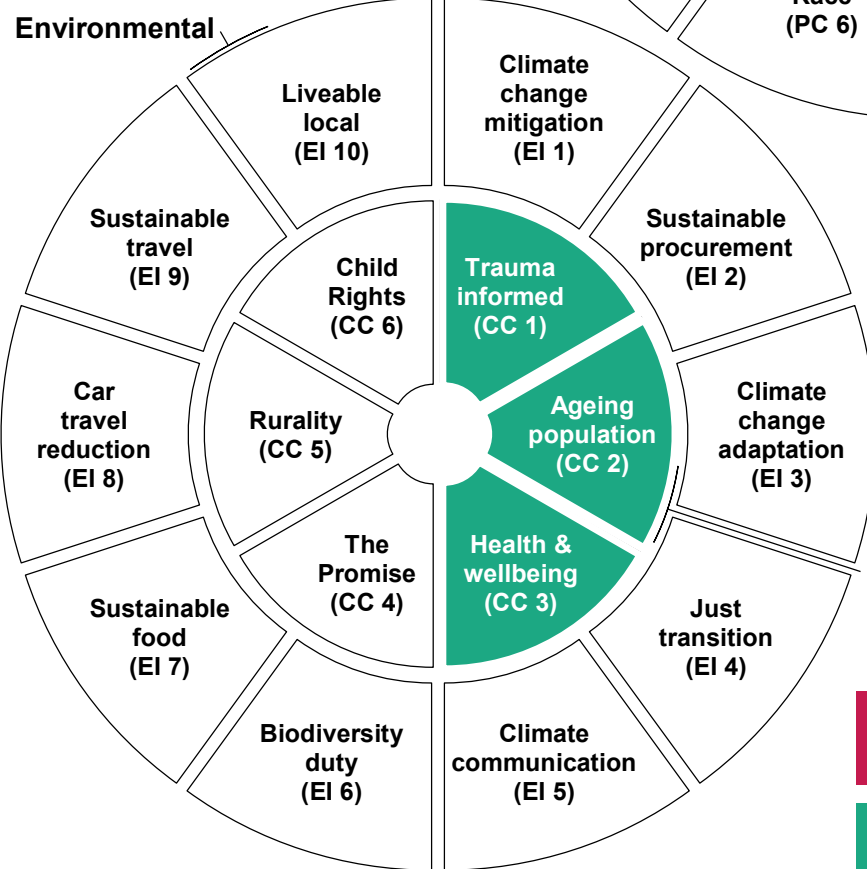
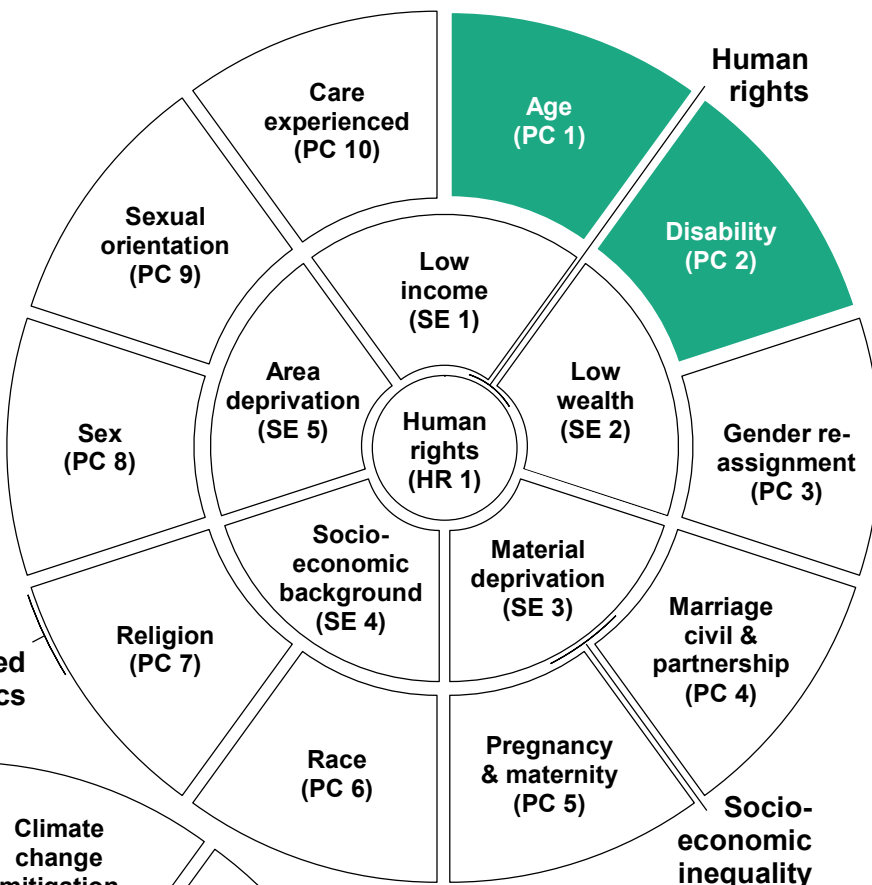
Integrated Impact Assessment Summary Report

Flexible Retirement Policy



Completed by:
Wendy Wesson,
Chief HR Officer,
HR and Payroll

Date started: 29/10/24



To be implemented on:
06/03/25
Review date:
06/03/26
Oversight Panel:
Council

negative impact	uncertain / not clear
positive impact	no impact / not applicable

Public sector equality duty

Eliminating unlawful discrimination, harassment, and victimisation?

No impact. The introduction of a flexible retirement policy does not eliminate or introduce opportunities for discrimination, harassment and victimisation.

Advancing equality of opportunity?

No impact. The introduction of a flexible retirement policy does not eliminate or advance equality of opportunity.

Fostering good relations?

No impact. The introduction of a flexible retirement policy does not foster or worsen good relations.

Consultation declaration

We confirm consultation has been carried out as part of this process.
