

## APPENDIX 3

**Performance Audit Report -  
Early Retirement Follow-Up**

# **Argyll & Bute Council 2002/03**

**Performance Audit Report -  
Early Retirement Follow-Up**

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# 1. Executive Summary

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## Introduction

- 1.1 In 1997, the Accounts Commission published a report on the management of early retirement in local authorities and joint boards in Scotland entitled “Bye Now, Pay Later?”. The report produced a number of recommendations aimed at identifying the reasons behind the high number of early retirals from Scottish local authorities. At the time there was a concern that if the trend for early retirals continued then authorities would build up pension liabilities for the future that would threaten their capacity to deliver front line services.
- 1.2 Follow-up work has been undertaken across all 32 local authorities, 11 administering authorities, and 12 police and fire joint boards looking at the management of the early retirals from the Local Government Pension Scheme (LGPS). It should be noted that the audit excludes other pension schemes that council employees may be members of.
- 1.3 This local performance audit report has been produced as part of the national follow-up and is intended to provide an analysis of the performance of Argyll & Bute Council (“the Council”) in its management of early retirements and the progress that it has made in implementing the recommendations in the original report.

## National report findings

- 1.4 A national report summarising the findings across all local authorities and joint boards will be issued by Audit Scotland in summer 2003. The main findings in the national report can be summarised as follows:
- ◆ the numbers of early retirals have fallen between 1998 and 2002;
  - ◆ the use of voluntary retirals has increased over the same period;
  - ◆ ill-health retirals have decreased in total terms, however they remain around 55% of all early retirals from pension funds;
  - ◆ most audited bodies have policies in place to manage early retirals;
  - ◆ the change in the regulations that requires authorities to repay to the pension funds any strain that granting an early retiral has placed on the fund, has ensured that the full costs associated with early retirals are taken into account in the decision making process;
  - ◆ in general where decisions are made by management under devolved powers, information on the number and associated financial impact on the councils is not disclosed to members; and
  - ◆ most audited bodies consider alternatives to early retirement, including retraining and redeployment of staff.

## Local findings

- 1.5 The Council experienced a reduction in the number of early retirals over the period 1998 to 2002.

- 1.6 The use of voluntary retirals has increased and represented 36% of all early retirals from the Council in 2002. There were no voluntary early retirals in the Councils between 1998 and 2000. Voluntary early retirals tend only to be granted where they do not incur a strain-on-the-fund cost to be met by the Council.
- 1.7 We found that the general trend over the period 1998 to 2002 in respect of ill-health retirals is downwards. In 1998, there were 18 ill-health retirals, whereas in 2002 the number had fallen to 10. The Council has taken steps in-line with the recommendation in the baseline report that all early retirals are initially ratified by a scheme-approved occupational therapist.
- 1.8 The Council expressed concern that they were not receiving enough technical support from Glasgow City Council, the administering authority for the Strathclyde Pension Fund.
- 1.9 In general, the Council had adequate policies and procedures for the management of early retirals and ensured that all costs associated with these retirals were taken into account in the decision making process.

### **Management action**

- 1.10 Detailed recommendations on those areas where further improvement could be achieved have been agreed with Council officers and are included in our audit findings and are summarised in the action plan, which follows this summary.
- 1.11 The assistance and co-operation we received during the course of our audit from the Personnel department of the Council is gratefully acknowledged.

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## 2. Action Plan

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No.	Recommendation	Responsible Officer	Action	Date	30/06/03
1	All relevant information including details of the employees final salary should be held in their case file, irrespective of the reason for early retiral.	Head of Personnel	Put in place a procedure for final salary details for ill health retirals to be held in case files.	1 July 2003	Completed
2	The Council should seek to obtain technical updates from the pension fund administrator.	Head of Personnel	Write to administering body to request they put in place a system for technical updates to be issued to member bodies and agreed to raised at the next pension fund forum.	1 July 2003	Completed