PRESS RELEASE

AUDIT SCOTLAND

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## Councils praised for progress in dealing with early retirements

The Accounts Commission for Scotland says that councils have become more rigorous in their management of early retirement. Councils are commended by the Commission for taking account of the full cost of early retirements and for allowing early retirements only when the cost is balanced by potential savings.

The Commission first looked at early retirement in 1997 and found that its use was widespread and costly. Following this the regulations governing early retirement have been tightened up. In 1997 the Commission made a number of recommendations and highlighted the need for councils to consider the full cost of an early retirement, which includes the cost of paying the pension early, when making early retirement decisions. Today's report reviews the progress that individual councils have made in their management of early retirement.

Deputy Chairman of the Accounts Commission Brian McGhee says:

> "Overall councils and the government have responded positively to our recommendations and councils now routinely weigh up the full cost of early retirements against potential savings. The report also shows that the number of council staff retiring early has gone down and that costs are much better controlled.
>
> "Despite the overall progress there is still room for improvement particularly in the councils which have not fully implemented our recommendations. About half of the councils need to give elected members more information to enable them to properly monitor retirement numbers and costs and to ensure that potential savings are actually realised."

Key findings in the report

1. All authorities should have clear policies on early retirement and these should be reviewed regularly. The study found that: Eilean Siar does not have early retirement policies, East Ayrshire, Falkirk and Inverclyde, have not reviewed their policies since 1996 despite changes to the regulations. In addition, the policies of East Renfrewshire and Perth & Kinross are not comprehensive.
2. The extra cost of an early retirement, compared to a normal retirement, has gone down by almost one-third. This cost, known as the strain on the pension fund, has gone from £32,000 in 1997 to £20,000 in 2001/02 with wide variation among councils.
3. The number of staff retiring early has gone down significantly. In 2001/02, around 1,600 council staff retired early - about half the number who retired early a decade ago.
4. There is still surprising variation among councils in the number of ill-health early retirements despite the need for independent, qualified occupational health specialists to inform these decisions. The incidence of ill-health retirals ranges from 0.4% (30) of employees in Argyll and Bute to 1.3% (123) of employees in Dundee City.
5. All but one authority (Inverclyde) has clear guidance on the use of retraining or redeployment as alternatives to early retirement.

**For more information or to arrange an interview with Mr McGhee contact: Mandy Gallacher 0131 624 9974 or Katie Fleming 0131 624 9970**

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## Notes

1. The Accounts Commission for Scotland was set up in 1975 and is independent of both central and local government. The Commission checks whether local authorities, fire and police boards spend £9 billion of public money properly and effectively.
2. This report was prepared by Audit Scotland on behalf of the Accounts Commission. Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act, 2000. It provides services to the Accounts Commission and the Auditor General for Scotland.
3. The report, 'Bye now, pay later: a follow-up review of the management of early retirement' and executive summary are available from the Audit Scotland website www.audit-scot.gov.uk
4. The report does not consider the wider question of the performance of local government pension funds and the impact of declines in stock market values.
5. Changes to the pensions regulations in 2000 mean that local authorities now bear the cost of most early retirements by making additional payments to the pension fund to reflect the extra cost of immediate payment of pensions to those who retire early. The cost of an early retirement tends to be higher the younger the person is and the more added years are awarded.