



GOVERNANCE COMMITTEE

TUESDAY, 16 JULY 2024

10.15 AM (OR AT THE CONCLUSION OF CABINET, WHICHEVER IS THE LATER) COUNCIL CHAMBER, COUNTY HALL, LEWES

MEMBERSHIP - Councillor Keith Glazier (Chair)
Councillors Nick Bennett, Bob Bowdler, Chris Collier, Johnny Denis and David Tutt

A G E N D A

1. Minutes of the meeting held on 25 June 2024 (*Pages 3 - 6*)
2. Apologies for absence
3. Disclosures of interests
Disclosures by all members present of personal interests in matters on the agenda, the nature of any interest and whether the member regards the interest as prejudicial under the terms of the Code of Conduct.
4. Urgent items
Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda. Any members who wish to raise urgent items are asked, wherever possible, to notify the Chair before the start of the meeting. In so doing, they must state the special circumstances which they consider justify the matter being considered urgent.
5. Appointments to Outside Bodies (*Pages 7 - 8*)
Report by the Assistant Chief Executive.
6. Annual Governance Statement 23/24 (*Pages 9 - 16*)
Report by the Assistant Chief Executive.
7. Annual report of the Audit Committee (*Pages 17 - 28*)
Report by the Chief Finance Officer.
8. Flexible Retirement Policy (*Pages 29 - 42*)
Report by the Chief Operating Officer.
9. Any other items previously notified under agenda item 4

PHILIP BAKER
Assistant Chief Executive
County Hall, St Anne's Crescent
LEWES BN7 1UE

8 July 2024

Contact Georgina Seligmann, Governance and Democracy Manager
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GOVERNANCE COMMITTEE

MINUTES of a meeting of the Governance Committee held at Council Chamber, County Hall, Lewes on 25 June 2024.

PRESENT Councillors Keith Glazier (Chair), Nick Bennett, Bob Bowdler, Chris Collier and David Tutt

ALSO PRESENT Councillors Anne Cross, Godfrey Daniel, Johnny Denis (via MS Teams), Stephen Shing and Colin Swansborough.

1. MINUTES OF THE MEETING HELD ON 16 APRIL 2024

1.1 RESOLVED – that the minutes of the previous meeting of the Committee held on 16 April 2024 be confirmed and signed as a correct record.

2. REPORTS

2.1 Copies of the reports referred to below are included in the minute book.

3. EXTERNAL AUDIT UPDATE: STATEMENT OF ACCOUNTS FOR 2021/22 AND 2022/23

3.1 The Committee considered a report by the Chief Finance Officer regarding the Grant Thornton (GT) report on the audit opinion on the 2021/22 and the 2022/23 Statement of Accounts.

3.2 The Committee RESOLVED to:

1) note the Independent Auditor's (GT) Report to those charged with governance on ESCC Accounts for 2021/22 and the audit completion;

2) note the Independent Auditor's (GT) Report to those charged with governance on ESCC Accounts for 2022/23 and the audit completion; and

3) note that the updated 2021/22 and 2022/23 Statement of Accounts have been published on the Council's website.

4. APPOINTMENTS TO OUTSIDE BODIES: LOCAL LEVELLING UP PARTNERSHIP BOARDS

4.1 The Committee considered a report by the Director of Communities, Economy and Transport regarding the appointment of a councillor to the Levelling Up Partnership (LUP) Boards in Hastings, Bexhill and Eastbourne.

4.2 It was proposed that Councillor Daniel be appointed to the Hastings LUP Board, which was seconded. The vote was lost (by 3 votes to 2).

4.3 It was proposed that Councillor Tutt be appointed to the Eastbourne LUP Board, which was seconded. The vote was lost (by 3 votes to 2).

4.4 The Committee RESOLVED to:

1) appoint Councillor Peter Pragnell (by 3 votes to 2) to the Hastings LUP Board as a Council representative until the date of the Annual Council Meeting in May 2025.

2) appoint Councillor Penny di Cara (by 3 votes to 2) to the Eastbourne LUP Board as a Council representative until the date of the Annual Council Meeting in May 2025.

3) appoint Councillor Ian Hollidge to the Bexhill Town LUP Board as a Council representative until the date of the Annual Council Meeting in May 2025.

5. APPOINTMENTS TO OUTSIDE BODIES: EAST SUSSEX FIRE AUTHORITY

5.1 The Committee considered a report by the Assistant Chief Executive regarding the appointment of a Councillor as a Council representative to the East Sussex Fire Authority.

5.2 The Committee RESOLVED to appoint Councillor Peter Pragnell to the East Sussex Fire Authority to replace Councillor Roy Galley.

6. APPOINTMENTS TO OUTSIDE BODIES: POLICE AND CRIME PANEL

6.1 The Committee considered a report by the Assistant Chief Executive regarding the appointment of a second Council representative to the Sussex Police and Crime Panel.

6.2 The Committee RESOLVED to appoint Councillor Ian Hollidge as a second representative on the Sussex Police and Crime Panel, and Councillor Philip Lunn (substitute) for a one year period.

7. SCRUTINY ACTIVITY REVIEW

7.1 The Committee considered a report by the Assistant Chief Executive that provided an overview of the scrutiny activity being undertaken by the People, Place and Health Overview Scrutiny Committees and an update on the work of the Audit Committee.

7.2 The Committee RESOLVED to note the updates on recent scrutiny and Audit Committee activity and the current work programmes at appendices 1-4 of the report.

8. FLEXIBLE RETIREMENT POLICY

8.1 The Committee considered a report by the Chief Operating Officer on the proposed introduction of a flexible retirement policy.

8.2 The Committee RESOLVED to recommend the County Council to agree:

1) the implementation of a flexible retirement scheme for employees (excluding those on Teaching terms and conditions); and

2) that the Local Government Pension Scheme Employer Discretions Policy is updated accordingly as set out in paragraph 2.7 of the report.

9. AMENDMENT TO THE CONSTITUTION: SCHEME OF DELEGATION TO OFFICERS

9.1 The Committee considered a report by the Director of Communities, Economy and Transport regarding proposed changes to the Scheme of Delegation to Officers.

9.2 The Committee RESOLVED to recommend the County Council to agree to amend the Scheme of Delegation to Officers as set out in Appendix 1 of the report.

10. AMENDMENT TO THE CONSTITUTION - EMPLOYEE CODE OF CONDUCT

10.1 The Committee received a report by the Chief Operating Officer regarding proposed amendments to the Employee Code of Conduct.

10.2 The Committee RESOLVED to recommend to Full Council to agree the following amendments to the Constitution, which relate to the Employee Code of Conduct:

1) additional wording to formally confirm that employees must not access the records of relatives or friends who receive services from the council; and

2) minor amendments and clarifications as set out at Appendix 1 of the report.

11. APPOINTMENT TO THE PENSION BOARD

11.1 The Committee considered a report by the Chief Finance Officer regarding the appointment of a representative to the Pension Board.

11.2 The Committee RESOLVED to appoint Linda Hughes as an Employer Representative on the East Sussex Pension Board for the period 25 June 2024 to 24 June 2028.

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Report to: Governance Committee

Date: 16 July 2024

By: Assistant Chief Executive

Title of report: Appointments to Outside Bodies

Purpose of report: To consider appointments to outside bodies until May 2025.

RECOMMENDATION

The Governance Committee is recommended to appoint Councillors to serve on the outside bodies as set out in Appendix 1 of this report.

1. Supporting Information

1.1 At its meeting of 29 June 2021 the Governance Committee made appointments to a range of outside bodies whose role has a relationship to a function of the County Council. The appointments are a vital part of the County Council's working in partnership with voluntary sector bodies, statutory agencies and the public and private sectors.

1.2 Councillor Rupert Simmons was appointed to the Gatwick Airport Consultative Committee, the Dungeness A & B Power Stations – Local Community Liaison Council and South East Employers for the period until May 2025.

1.3 Following the sad news of Councillor Simmon's death, it was agreed at the Governance Committee meeting of 18 July 2023, that Councillor Paul Redstone should be appointed to the Dungeness A & B Power Station – Local Community Liaison Council and that Councillor Bob Bowdler be appointed as the substantive member of the Gatwick Airport Consultative Committee. It was also agreed that the remaining vacant appointments would be determined at a later date.

1.4 Attached at Appendix 1 is a schedule of the organisations to which appointments are to be made and the number of places to be filled for each body.

1.5 Unless otherwise stated appointments are for the period ending in May 2025.

2. Recommendation

2.1 The Committee is asked to appoint Councillors to serve on the outside bodies as set out in Appendix 1 of this report.

PHILIP BAKER
Assistant Chief Executive

Contact Officer: Georgina Seligmann
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Background Documents
None

Appointments to Outside Bodies

Organisation	No. of reps	Current Appointments
Environment		
Gatwick Airport Consultative Committee	1 + Sub	Cllr Bowdler Vacancy (Substitute)
Other organisations		
South East Employers	2	Cllr Lunn Vacancy

Committee:	Governance Committee
Date:	16 July 2024
Title of report:	Assessment of the Corporate Governance Framework for 2023-24
By:	Assistant Chief Executive
Purpose of report:	To (i) provide information on compliance with the Council's code of corporate governance and any changes to it that may be necessary to maintain it and ensure its effectiveness in practice; and (ii) gain approval of the Council's Annual Governance Statement in compliance with the requirements of the Accounts and Audit Regulations 2015.

RECOMMENDATIONS

The Governance Committee is recommended to:

- 1) approve the action plan for 2024/25 as set out in Annex E of Appendix 1;**
 - 2) note that actions identified to enhance governance arrangements are reflected in Business Plans and that implementation will be monitored throughout the year;**
 - 3) confirm that Members are satisfied with the level of assurance provided to them through this report and the Council's governance framework and processes;**
 - 4) consider any comments from the Audit Committee;**
 - 5) identify any significant governance issues that should be included in the Council's Annual Governance Statement;**
 - 6) approve the draft Annual Governance Statement for signature by the Leader and the Chief Executive and publication within the Statement of Accounts; and**
 - 7) approve the Local Code of Corporate Governance for 2024/25.**
-

1. Supporting Information

1.1 The corporate governance framework reflects both legislative and regulatory change and is based on revised guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Chief Executives and Senior Managers (SOLACE).

1.2 The Accounts and Audit Regulations 2015 require the Council to ensure that it has in place a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for risk management. The Council is required to conduct an annual review of the effectiveness of its system of internal control and to prepare an Annual Governance Statement (AGS) in accordance with proper practices in relation to internal control to accompany its Statement of Accounts.

1.3 The production of an AGS is the final stage of an ongoing process of review of our governance arrangements including risk management and internal control. In summary the process must involve an organisation reviewing the adequacy of its governance arrangements, developing an action plan for improving those arrangements and communicating the framework to users and stakeholders.

2. Assessment of the Corporate Governance Framework for 2023-24

2.1 The main policies and strategies that make up the Council's corporate governance framework are set out in the Local Code of Corporate Governance attached as Annex C to Appendix 1. The Local Code of Corporate Governance was updated to reflect the revised CIPFA/SOLACE Framework that was published during 2016 and was agreed by the Governance Committee in March 2017. The Council's Local Code of Corporate Governance sets out the main principles of good governance for the Council. The Code is based on existing good practice and the core principles of the CIPFA/SOLACE framework.

2.2 The CIPFA/SOLACE framework defines the principles that should underpin the governance of local councils. To achieve good governance the Council should be able to demonstrate that its governance structures comply with the core principles contained in the framework. It has therefore developed and maintained a Local Code of Governance including the core principles set out in the framework.

2.3 The seven principles included in the framework are:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- Ensuring openness and comprehensive stakeholder engagement;
- Defining outcomes in terms of sustainable economic, social and environmental benefits;
- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

2.4 The Council's corporate governance framework is underpinned by a number of key documents and processes and the Local Code of Corporate Governance reflects the CIPFA/SOLACE Framework with the seven (7) core principles of the Framework being included as the Council's principles of good governance. The main policies and processes that underpin the Council's corporate governance framework have been reviewed against the seven core principles as set out in Annex A of Appendix 1.

2.5 Annually, the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement and this is provided in the Internal Audit Annual Report and Opinion. Based on the internal audit work completed, the Orbis Chief Internal Auditor has provided reasonable assurance that the Council had in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2023 to 31 March 2024.

2.6 A review of the Council's governance arrangements for 2023/24 has been undertaken. Each document or process in the framework has been assessed and named officers have been required to provide an assurance as to whether the document is being complied with, the level of awareness of the document amongst staff and stakeholders, whether it reflects Council policy and best practice, and arrangements for reviewing it. Where further improvements are identified these are set out within Annex E to Appendix 1 and form part of departmental business plans for the year ahead.

2.7 In addition, all Chief Officers have signed their own Directorate Assurance Statement confirming that proper governance arrangements, effective risk management and a sound system of internal control are in place within their department. They are also asked to identify any exceptions and any actions being taken to address them. These actions will also be monitored through the relevant business plans. The Chief Finance Officer has signed an Assurance Statement regarding the Council's governance arrangements.

2.8 The overall corporate governance assessment and review of effectiveness has also been informed by the sources of assurance set out in Annex A to Appendix 1. As part of the assurance gathering process, the CIPFA/SOLACE guidance on corporate governance was taken into account and is reflected in the Local Code.

2.9 The recently published 'Best value standards and intervention: a statutory guide for best value authorities' has been considered as part of producing the Annual Governance Statement. The guidance notes that Annual Governance Statements should include lessons learned and steps taken to address mistakes and poor performance; how recommendations on improvement from external

parties are being implemented; and how specific references to work on ongoing continuous improvement across all of the best value themes, which should be delivered at pace. Decisions taken on interventions are based on the priorities agreed in the Council Plan and are regularly reviewed through the quarterly Council Monitoring report. Improvements being implemented based on recommendations from external parties are set out within the AGS where the relevant inspection is referenced, such as the Ofsted Inspection and the LGA Peer Review. The targets set out at Annex E as part of the Directors Assurance Statements demonstrate the ongoing continuous improvement across all the best value themes and that they will be delivered at pace.

3. Annual Governance Statement

3.1 A draft AGS from the Leader of the Council and the Chief Executive is attached at Appendix 1. It includes the mandatory disclosure of any significant governance issues identified through the Council's governance and internal control arrangements.

3.2 Sound corporate governance is crucial if the Council is to continue to provide leadership, direction and control. It is important that Members are aware of the documents and activities that work together to provide assurances about the Council's governance measures in place. The AGS provides an opportunity for the Council to assess and report transparently to the public how it ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

3.3 The Governance Committee is therefore recommended to:

- approve the action plan for 2024/25 as set out in Annex E of Appendix 1;
- note that actions identified to enhance governance arrangements are reflected in Business Plans and that implementation will be monitored throughout the year;
- confirm that Members are satisfied with the level of assurance provided to them through this report and the Council's governance framework and processes;
- consider any comments from the Audit Committee;
- identify any significant governance issues that should be included in the Council's Annual Governance Statement;
- approve the draft Annual Governance Statement for signature by the Leader and the Chief Executive and publication within the Statement of Accounts; and
- approve the Local Code of Corporate Governance for 2024/25.

PHILIP BAKER
Assistant Chief Executive

Contact officers:

Russell Banks, Orbis Chief Internal Auditor, 07842 362739

Bekki Freeman, Solicitor 07584 262522

Georgina Seligmann, Governance and Democracy Manager, 01273 481583

Local Member: All

BACKGROUND DOCUMENTS: Pro formas returned by document "owners" setting out whether the various codes, policies and strategies are being complied with.

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2.5 Annually, the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement and this is provided in the Internal Audit Annual Report and Opinion. Based on the internal audit work completed, the Orbis Chief Internal Auditor has provided reasonable assurance that the Council had in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2023 to 31 March 2024.

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2.7 In addition, all Chief Officers have signed their own Directorate Assurance Statement confirming that proper governance arrangements, effective risk management and a sound system of internal control are in place within their department. They are also asked to identify any exceptions and any actions being taken to address them. These actions will also be monitored through the relevant business plans. The Chief Finance Officer has signed an Assurance Statement regarding the Council's governance arrangements.

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PHILIP BAKER
Assistant Chief Executive

Contact officers:

Russell Banks, Orbis Chief Internal Auditor, 07842 362739

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Georgina Seligmann, Governance and Democracy Manager, 01273 481583

Local Member: All

BACKGROUND DOCUMENTS: Pro formas returned by document "owners" setting out whether the various codes, policies and strategies are being complied with.

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Report to: Governance Committee
Date of meeting: 16 July 2024
By: Chief Finance Officer
Title: Audit Committee: Annual Report 2023/24
Purpose: To present the Audit Committee: Annual Report 2023/24 for review.

RECOMMENDATION:

The Governance Committee is recommended to note the Audit Committee: Annual Report 2023/24.

1. Background

- 1.1 The *CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022* has been published, replacing the 2018 edition. The statement represents CIPFA's view on Audit Committees and is the outcome of consultation with local authority representatives. It is expected that all local government bodies make best efforts to adopt the principles within the statement. The Department of Levelling Up, Housing and Communities supports the guidance.
- 1.2 A recommendation within the Position Statement is for Audit Committees to produce an Annual Report, which will provide an overview of the work of the Committee over the previous year.

2. Supporting Information

- 2.1 The Audit Committee: Annual Report 2023/24 is at Appendix 1. The report provides an introduction from the Chair of the Audit Committee, details of the role and membership of the Audit Committee, together with key activities for the year.
- 2.2 Audit Committee Members have had the opportunity to review the report and provide any comments which are reflected in the report attached at Appendix 1.

3. Conclusion and reasons for recommendation

- 3.1 In line with the CIPFA Position Statement 2022, and supported by DLUHC, it is best practice for local authority Audit Committees to provide an annual report of their activities.
- 3.2 The Governance Committee is recommended to note the Audit Committee: Annual Report 2023/24.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Ian Gutsell, Chief Finance Officer
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Local Member(s): All

Background Documents
None

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East Sussex County Council
Audit Committee

Annual Report of the work of the
Audit Committee 2023-2024

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Chair's Introduction

I am very pleased to be able to present the Annual Report for the Audit Committee, which sets out the role of the Audit Committee and the work that we have undertaken during 2023/24.

The Committee operates in accordance with the good practice guidance set out in the CIPFA 2022 Position Statement, proving an independent resource which supports good governance and strong public financial management.

The Committee is well supported by officers, providing high-quality reports and presentations. I would like to thank Finance, Internal Audit, External Audit (Grant Thornton) and Legal Services teams for their input and support.

I would also thank Councillor Gerard Fox, as Vice Chair of the Committee, and all Committee members for their contributions to the working of this Committee, in such a thoughtful and constructive manner through the last year.

Councillor Colin Swansborough

Chair - Audit Committee

Role of the Audit Committee

The purpose of the Audit Committee is to act as the principal non-executive, advisory function supporting those charged with governance by exercising the Audit Committee functions as follows:

- 1) To review and provide independent scrutiny in relation to all internal and external audit matters.
- 2) To consider the effectiveness of the Council's risk management processes, internal control environment and corporate governance arrangements and to recommend any changes to Governance Committee or Cabinet as appropriate.
- 3) To consider the external auditor's annual letter and the Chief Internal Auditor's annual report and opinion and the level of assurance they can give over the Council's risk management processes, internal control environment and corporate governance arrangements.
- 4) To review and scrutinise the effectiveness of management arrangements to ensure probity and legal and regulatory compliance, including, but not limited to contract procedure rules, financial regulations, codes of conduct , anti-fraud and corruption arrangements and whistle-blowing policies.
- 5) To consider the major findings of internal and external audit and inspection reports, and Directors' responses, and any matters the Chief Internal Auditor or External Auditor may wish to discuss (in the absence of Directors, if necessary).
- 6) To review the Council's assurance statements, including the Annual Governance Statement, ensuring that they properly reflect the risk environment, and any actions required to improve it.
- 7). To review the internal audit strategy and annual plan and the external auditor's annual audit and inspection plan and to monitor performance of both internal and external audit.
- 8) To review the annual statement of accounts and the external auditor's report to those charged with governance.
- 9) To review and monitor treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
- 10) To review and monitor the Property Asset Disposal and Investment Strategy.

The terms of reference of this Committee can be found in the Council's [Constitution](#).

Membership of the Audit Committee

The membership of the Audit Committee, together with meeting attendance is set out below:

✓ = present A = apologies ASR = apologies, sent representative

Audit Committee Members:	7 Jul 2023	29 Sep 2023	24 Nov 2023	28 Mar 2024
Cllr Colin Swansborough (Chair)	✓	✓	✓	✓
Cllr Gerard Fox (Vice Chair)	✓	✓	✓	✓
Cllr Matthew Beaver	ASR	✓	✓	✓
Cllr Nuala Geary	✓	✓	ASR	✓
Cllr Stephen Holt	✓	✓	✓	A
Cllr Matthew Milligan	✓	A	✓	✓
Cllr Georgia Taylor	✓	ASR	✓	✓
Substitutes:	Cllr Paul Redstone	Cllr Wendy Maples	Cllr Ian Hollidge	-

Officers who attended the Audit Committee included the Assistant Chief Executive, Chief Finance Officer, Director of Communities, Economy and Transport, Chief Operating Officer, Chief Internal Auditor, Internal Audit Team Members, Grant Thornton (as the Council's external auditors).

Key Audit Committee Activities

Key Reports to the Audit Committee:	7 Jul 2023	29 Sep 2023	24 Nov 2023	28 Mar 2024
Financial Reporting:				
CIPFA Financial Management Code		Yes		
Review of Annual Governance Report and 2022/23 Statement of Accounts			Yes	
Review of Annual Pension Fund Governance Report and 2022/23 Statement of Accounts			Yes	
Treasury Management Annual Report and Mid-Year Report 2023			Yes	
Internal Audit:				
Internal Audit Services Annual Report and Opinion 2022/23	Yes			
Internal Audit Report: Follow up report from Director of Communities, Economy and Transport	Yes			
Internal Audit Progress Report		Yes	Yes	Yes
Internal Audit Strategy and 2024/25 Annual Audit Plan				Yes
Counter Fraud:				
Counter Fraud Annual Report 2022/23	Yes			
External Audit (Grant Thornton):				
External Audit Plan 2022/23 and 2023/24 for East Sussex County Council	Yes			Yes
External Audit Plan 2022/23 and 2023/24 for East Sussex Pension Fund	Yes			Yes
External Audit Progress Update		Yes	Yes	Yes
Auditor's Annual (VFM) Report on East Sussex County Council 2022/23			Yes	
Governance and Risk Management:				
Assessment of the Corporate Governance Framework and Annual Governance Statement 2022/23	Yes			
Appointment of Independent Members to the Audit Committee	Yes			
Strategic Risk Monitoring	Yes	Yes		Yes
Managing Back Office Systems Update			Yes	
Annual Update on Property Investment Strategy and Key Sites 6 Monthly Update			Yes	
Audit Committee Self-Assessment				Yes

2023/24 Key Activities:

Financial Reporting

The Committee has the responsibility to provide independent scrutiny and review of the statement of accounts and the reporting information contained within, for example, the Narrative Report.

The draft statement of accounts for 2022/23 were prepared and published, for public inspection, in line with the 31 May 2023 deadline. The external auditors undertook their audit and value for money assessment over the summer and reported back to the Committee in November 2023. Whilst the audit was not complete, the Committee was able to ask questions and be assured around:

- The valuation and estimates included within the statement of accounts for Property, Plant and Equipment.
- The valuation basis for the IAS19 pensions assets and liabilities statement.
- Approach Grant Thornton were taking to the impact of climate change on medium to longer term asset valuations.

The backlog in external audit activity was also discussed. The Committee were kept up to date through the year on the progress together with the final sign off of the 2021/22 statement of accounts and audit opinion. The Committee was informed in March 2024 that the audit of the 2021/22 statement of accounts had been concluded in December 2023.

The Committee received the Council's self-assessment against the CIPFA Financial Management Code in September, which provided members with the assurance as to the core financial management activity undertaken by the Council.

The Treasury Management Annual Report and Mid-Year Report 2023 was presented to the Committee in November. Before the start of the meeting refresher training was provided to update Members on Treasury Management.

Internal Audit

The Audit Committee in July 2023, received the Internal Audit Service's Annual Report and Opinion for 2022/23. The report provided reasonable assurance on the effectiveness of risk management, governance and control processes within the Council.

The Committee received and reviewed the Internal Audit Strategy and Annual Audit Plan for 2024/25. The Committee were able, through a separate workshop, to feed in suggestions of areas of Internal Audit work.

Through the year, the Committee received quarterly progress reports, on which Members were able to ask questions and seek assurance. In order to gain further understanding and assurance, the Director of Communities, Economy and Transport was invited to attend a Committee meeting to provide further information and assurance regarding the use of vehicles and cultural compliance within the Highways Service.

External Audit

Grant Thornton, have been the Council's external auditors for 2023/24. They have attended every Audit Committee, either in person or remotely via Microsoft Teams.

Given the backlog in providing final audit opinions, Grant Thornton provided progress updates and took questions from Members.

During this financial year, the 2021/22 audit was concluded, with an unqualified audit opinion. The draft 2022/23 audit report has been received, presented and reviewed by the Committee. Whilst having an unqualified audit opinion, the final sign off is not expected until May 2024.

Governance and Risk Management

The Audit Committee has a responsibility for monitoring the effectiveness of the Council's systems of controls and governance that form the basis of the Council's operations and functions.

In July 2023, the Committee received and reviewed the Council's Assessment of the Corporate Governance Framework and Annual Governance Statement 2022/23.

In July 2023, in response to the *CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022*, the Committee received a report that proposed the expansion of the Audit Committee to include at least 2 Independent Co-Opted Members. The Committee supported the proposal, which was later approved by the Governance Committee and Full Council.

Reports are regularly received on the Strategic Risk Register, providing the Committee the opportunity to challenge and seek assurance on responses and mitigation to identified risks.

Managing Back Office Systems (MBOS) Subgroup

The Council is implementing the change from SAP systems to Oracle Fusion (Finance, HR and Procurement). The Audit Committee has set up a subgroup, comprising Councillors Swansborough, Fox and Beaver, to provide Member oversight and assurance. The sub-group reports back to the Audit Committee.

Training 2023/24:

The table below sets out training undertaken by Audit Committee Members in 2023/24:

Training	Date	Audit Committee Member Attendance
Fiduciary Duty	28/04/23	<ul style="list-style-type: none"> • Cllr Gerard Fox • Cllr Georgia Taylor
Questioning Skills	02/10/23	<ul style="list-style-type: none"> • Cllr Nuala Geary
Treasury Management	24/11/23	<ul style="list-style-type: none"> • Cllr Matthew Beaver • Cllr Gerard Fox • Cllr Matthew Milligan • Cllr Colin Swansborough • Cllr Georgia Taylor
Internal Audit Training and Planning	19/01/24	<ul style="list-style-type: none"> • Cllr Matthew Beaver • Cllr Gerard Fox • Cllr Colin Swansborough

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Report to: Governance Committee

Date of meeting: 16 July 2024

By: Chief Operating Officer

Title: Flexible Retirement

Purpose: To advise the Governance Committee of an amendment to the proposed Flexible Retirement Scheme and seek their agreement to the Scheme's implementation on the basis of the amended provisions.

RECOMMENDATIONS

The Governance Committee is recommended to recommend the County Council to:

- 1) Agree the implementation of a flexible retirement scheme for employees (excluding those on Teaching terms and conditions) as set out in Appendix 2 of the report; and,
 - 2) Agree that the Local Government Pension Scheme Employer Discretions Policy is updated accordingly to allow for this.
-

1 Background

1.1 The Governance Committee considered a report at its meeting on 25 June 2024 proposing the implementation of a Flexible Retirement Scheme. The report noted a number of key principles, including that the implementation of the Scheme would present no additional costs to the Council. A copy of the report and draft Policy is attached at Appendix 1.

2 Supporting information

2.1 The East Sussex Pension Team have now advised that whilst the LGPS regulations permit for an actuarial reduction to be applied to a retiree over age 55 years and under 60 years, who has satisfied the '85 year rule' in circumstances of voluntary retirement, they do not allow employers to levy such a reduction in circumstances of flexible retirement. Instead, where flexible retirement is awarded to an individual prior to age 60, those benefits that meet the '85 year rule' would be payable without reduction. As a result, this would generate a revenue cost to the Council.

2.2 Each individual case will have a range of unique factors, for example, age, length of service, number of years contributing to the LGPS etc and as such, any costs arising will need to be calculated on an individual basis. The previous report noted the requirement for a business case to be agreed, demonstrating how the arrangement would support the business needs of the service. As mitigation for the issue identified above, it is now proposed that the business case requirements are amended to include consideration of any revenue costs arising out of the proposed flexible retirement arrangement. Full details of the costs will need to be set out, along with an explanation as to how and why the proposed retirement represents best value for money from an economy, efficiency and effectiveness perspective.

2.3 It was previously proposed that as the consideration was in relation to the needs of the service and business impact, approval to a flexible retirement arrangement would only require the agreement of the service Assistant Director. In light of the issue now identified, the approval requirements will be changed to include the Chief Finance Officer and Assistant Director, HR&OD, in line with all other HR related business case approvals.

2.4 The draft 'Flexible Retirement Policy' will need to be amended to reflect the correct position. The proposed amendments are highlighted on the draft 'Flexible Retirement Policy' attached as Appendix 2 to this report.

3. Conclusion

3.1 Notwithstanding the issue now identified for some flexible retirement cases to have the potential to incur revenue costs to the Council, there is still value in having a flexible retirement scheme as part of the suite of flexible working options for staff approaching retirement age. In circumstances where business needs can continue to be met by a flexible retirement arrangement and any costs have been subject to a value for money test, the scheme can retain skills and help services plan resources into the future. A flexible retirement scheme has the potential to provide a degree of security and stability for both employees and services particularly in the context of a changing operating environment.

3.2 The Governance Committee is therefore recommended to recommend the County Council to; agree the implementation of a flexible retirement scheme for employees (excluding those on Teaching terms and conditions) as set out in Appendix 2 of the report; and, agree that the Local Government Pension Scheme Employer Discretions Policy is updated accordingly to allow for this.

Ros Parker
Chief Operating Officer

Contact Officers:

Sarah Mainwaring
Assistant Director, HR&OD
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Report to:	Governance Committee
Date of meeting:	25 June 2024
By:	Chief Operating Officer
Title:	Flexible Retirement
Purpose:	To seek the Governance Committee's agreement to the introduction of a Flexible Retirement policy to support the retention of skills and promote effective workforce succession planning, whilst providing greater flexibility for staff in their approach to retirement.

RECOMMENDATIONS

The Governance Committee is recommended to recommend the County Council to agree:

- 1) the implementation of a flexible retirement scheme for employees (excluding those on Teaching terms and conditions); and**
 - 2) that the Local Government Pension Scheme Employer Discretions Policy is updated accordingly as set out in paragraph 2.7.**
-

1 Background

1.1 The County Council previously operated a flexible retirement scheme for LGPS members which ceased in 2012. The scheme enabled an employee from age 55 to reduce their hours or move to a lower paid role, whilst accessing a proportion of their pension benefits to offset the reduction in salary.

1.2 The scheme was intended to provide employees greater flexibility in their approach to retirement and mitigate the 'cliff edge' effect of the now abolished compulsory retirement age of 65 years. It was also designed to support the business needs of the organisation by maintaining skill retention, and supporting effective succession planning.

1.3 The abolition of the default retirement age on 1st October 2011 prompted a policy review and consequently the scheme ceased due to several coinciding key factors mainly:

- the abolition of the compulsory retirement age at 65 years lessened the need for the scheme particularly with other available flexible working options, and a voluntary redundancy scheme in operation. It also created some uncertainty around the end date of a flexible retirement arrangement and therefore its implied value and cost effectiveness;
- the scheme was not considered to meet the business needs of the council based on the recruitment context at that time. In particular, following the 2007 financial crisis there were more skilled recruits available and less need to retain existing employees; and
- the rule of abatement restricting earnings applied, which made the scheme less appealing. Abatement no longer applies (except in the cases of tier 3 ill health retirement only).

1.4 The Council's recruitment context has changed significantly. We are now experiencing an increasingly competitive recruitment environment where it is more difficult to attract and retain skilled employees. This warrants a greater focus on meeting the needs of a maturing workforce.

1.5 The rise in cost of living is also likely to have an impact on financially viable options for flexible working as staff approach retirement age. A maturing workforce, particularly those with

caring responsibilities, are more likely to want to consider a financially balanced decision around flexible working.

1.6 A benchmarking exercise has shown that many authorities have continued to successfully operate a flexible retirement scheme despite a fluctuating economic and social climate, and the legislative change in 2011.

2 Supporting information

2.1 This report proposes the reintroduction of a flexible retirement scheme that facilitates a permanent reduction in an employee's contractual hours or grade (for example an internal role transfer at a lower grade) whilst accessing their pension benefits.

2.2 The scheme would be underpinned by the following key principles. A flexible retirement arrangement must:

- accompany a mutually agreeable reduction in contractual working hours or grade and therefore pay;
- be beneficial to the service and sustainable for ongoing business continuity; and,
- present no additional cost to the organisation (for example, in relation to waiving pension reductions for early access to benefits).

2.3 Employees would need to discuss and agree a business case with their manager, demonstrating how the arrangement would support the business needs of the service. HR would provide guidance for managers to ensure the process was managed appropriately and consistently. In approving requests, managers would need to consider the sustainability of an ongoing flexible retirement arrangement, bearing in mind that there is no expectation of a default retirement age or obligation to determine an end date.

2.4 In terms of a minimum reduction in contractual hours, it is recommended that this is at least 20%. This is broadly in line with other authorities who report a minimum percentage reduction between 20% - 50%. It is worth noting that as part of the policy review undertaken in 2012, managers reported that a 20% reduction was not enough to make an effective saving, enable the backfilling of the reduced hours, or effectively plan for succession. It is therefore propose that whilst any policy includes a 20% reduction in hours as a minimum, the service determines the appropriate minimum reduction in the context of business needs including retention of skills, experience, and succession planning. The reduction in contractual hours should be understood to be a permanent reduction.

2.5 If agreed, to support the implementation of the scheme, a communications plan will be drawn up to provide information and details for managers and staff on the scheme, the key points and the application process.

2.6 The scheme is not expected to incur any cost to the organisation. As stated above, it is expected that the Council would not waive any actuarial reduction and/or "strain" cost for early access to an employee's pension. This has been made clear in the draft Policy, a copy of which is attached as Appendix 1. Set against this background, the key consideration in relation to approval is around the needs of the service and business impact. As such, the draft scheme proposes that the authority to approve flexible retirement requests sits at Assistant Director level.

2.7 Provision to allow an active member who has attained the age 55 or over to reduce their working hours or grade and receive immediate payment of all or part of their their retirement pension is contained within the The Local Government Pension Scheme (LGPS) regulations – R30(6) and TP11(2). At present, the Council's Local Government Pension Scheme Employer Discretions Policy notes that the Council does not operate a Flexible Retirement Policy. If a Flexible Retirement Scheme is agreed to be implemented, the local discretions will be updated to reflect this.

3. Conclusion

3.1 A flexible retirement scheme can form an additional financially viable option to ESCC's existing suite of flexible working options for staff approaching retirement age. In circumstances where business needs can continue to be met by a flexible retirement arrangement, the scheme can retain

skills and help services plan resources into the future. A flexible retirement scheme has the potential to provide a degree of security and stability for both employees and services particularly in the context of a changing operating environment.

3.2 The Governance Committee is therefore recommended to recommend the County Council agrees:the implementation of a flexible retirement scheme for employees (excluding those on Teaching terms and conditions) and that the Local Government Pension Scheme Employer Discretions Policy is updated accordingly.

Ros Parker
Chief Operating Officer

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Flexible Retirement Policy

Date:

Document summary

This policy sets out how managers and employees can work together to achieve flexibility for employees approaching retirement, by reducing the employee's working hours or grade while drawing their pension benefits. The policy applies to local government employees who are active members of the Local Government Pension Scheme.

Enquiries

HR Advisory Team, 01273 481300

Contents

1. What is flexible retirement?
2. The benefits of flexible retirement
3. Eligibility for flexible retirement
4. Conditions of service
5. Financial implications
6. Pension Reduction and the Protection of 85-year rule
7. Applying for flexible retirement

Flexible Retirement Policy

1. What is flexible retirement?

- 1.1. Flexible retirement is a planned approach to retirement that enables employees to phase down and draw from their pension early to offset the reduction in salary. Phasing down could include:
 - Reducing working hours and/or
 - Moving to a job on a lower salary
- 1.2. Employees who are current active members of the Local Government Pension Scheme may seek their employer's agreement to draw their pension benefits from the age of 55 and continue working on reduced hours or move to a job on a lower salary.
- 1.3. There must be at least a 20% reduction in pay or hours for an employee to access the flexible retirement scheme. Managers should consider whether the new working arrangements meet the business needs of the service, including retention of skills, experience, and succession planning.

2. The benefits of flexible retirement

- 2.1. Flexible retirement enables employees to plan their retirement, financially and socially to make a gradual adjustment towards the end of their working life.
- 2.2. Services also benefit by retaining experienced staff with valuable skills. This can better enable effective succession planning.

3. Eligibility for flexible retirement

- 3.1. To be eligible for flexible retirement, employees must meet the following eligibility criteria:
 - Be employed by the County Council with a permanent contract of employment.
 - Be an active member of the Local Government Pension Scheme.
 - Have reached the Normal Minimum Pension Age, currently age 55.
 - Working to a reduction in hours or pay of at least 20%

The scheme is not available to employees on Teachers' terms and conditions.

- 3.2. Managers must support an employee's application with a business case approved by their Assistant Director/Headteacher, **the Chief Finance Officer and Assistant Director, HR&OD**, in consultation with the HR Advisory Team. The business case should include details of the impact on service delivery, the benefit to the employee and school or department **and consideration of any costs arising as a result of the retirement, including pension strain costs.**
- 3.3. The Chief Executive's approval is required for applications for posts at Assistant Director level and above.
- 3.4. In the event a manager does not approve an employee's application, the employee may request that the decision is reviewed in accordance with the [Flexible Working Requests Guidance's](#) review process. There is no further right of appeal and no other procedure, such as the [Grievance Procedure](#), may be used.

3.5. There is no trial period for flexible retirement and, once it has been agreed, the decision cannot be reversed, because of the direct impact upon the pension benefits.

4. Conditions of service

4.1. In the event of an employee reducing hours in the same job, all the conditions of their contract of employment will be retained, including recognition of continuous service for purposes of annual leave and sick pay and for employment rights, such as redundancy payments and unfair dismissal.

4.2. If the employee starts a new job, they will receive a new contract of employment. Local government continuous service will be recognised for purposes of annual leave and sick pay and for employment rights, such as redundancy payments and unfair dismissal.

5. Financial implications

5.1. Flexible retirement enables employees to draw their pension benefits and to continue working, either in the same job on reduced hours or in a new job at a lower grade. There are, therefore, two sources of income; pension benefits and income from employment.

5.2. The annual pension and lump sum retirement grant are paid with effect from the date of flexible retirement and Additional Voluntary Contributions (AVC's) may be drawn if the employee so chooses. Pensions benefits **may** will be reduced if accessing them prior to normal pension age, see Part 6.

5.3. Employees taking flexible retirement may contribute to the Local Government Pension Scheme in the new or continuing part time job and accrue further pension benefits within the LGPS that may be drawn when they finally retire. It is important to note that the new local government pension is a separate pension accrual. This means that the previous service (relating to the pension put into payment as a result of flexible retirement) will not count as accrued service in respect of the later benefits. This might affect entitlement to benefits such as ill health and could also affect any safeguarded "Rule of 85" protections. (See paragraph on "Rule of 85" below).

5.4. Employees are responsible for obtaining their own financial advice as the County Council is not able to provide this to staff, but the following information might be helpful:

- flexible retirement will have the effect of reducing salary and partially replacing this with pension benefits. Depending on the level of salary reduction and the amount of accrued pension benefits, the overall level of income received during the period of flexible retirement, or at the eventual date of retirement from the County Council, might be less than that received by continuing to work in the original contract until the LGPS standard retirement age of 65.
- different inflation awards are applied to pension benefits and salaries. This means that each element will increase at a different rate throughout the period of flexible retirement, whereas pay could increase more overall.

- the pension is treated as taxable income and will, therefore, be subject to income tax deductions, in the same way as salaries.
- on reaching state pension age, employees might become entitled to state pension benefits over and above their local government pension benefits. There are also some options in relation to state benefits - such as deferring them so as to receive a larger state benefit later or a lump sum.

6. Pension Reduction and the Protection of 85-year rule

- 6.1. In most circumstances, employees will experience a pension reduction in accessing their pension as a result of taking flexible retirement prior to normal pension age. Some employees' pension may be protected in part, by the 'Rule of 85'.
- 6.2. The 'Rule of 85' was removed from the pension scheme from 1 October 2006, with some protection for those who had an expectation of meeting it. This rule is satisfied when your age in whole years, added to the length of your LGPS membership totals 85 or more at the time of retirement.
- 6.3. No reduction will apply to those members who retire at or after their normal pension age. Some pension scheme members will qualify for some of their pension to be paid unreduced when retiring before the normal pension, where they meet the transitional protection arrangements.
- 6.4. All pension scheme members who joined before 1 October 2006 and could have satisfied the '85 year Rule' prior to the age of 65 have some level of protection. Those who wish to retire when they have satisfied the Rule of 85 and are beyond the age of 55 60 will have the relevant protections applied when accessing their benefits **under this Policy**. ~~However, those who satisfy the 85 year rule prior to the age 60 and also retire prior to age 60 may have a reduction applied to their otherwise protected benefits on account of them being accessed prior to age 60 (the minimum retirement age at the time the 85 year rule was in operation).~~
- 6.5. ~~East Sussex County Council will not waive any pension reduction under the flexible retirement scheme.~~
- 6.6. The abatement rules do not apply when employees draw their pensions under the Flexible Retirement policy.

7. Applying for flexible retirement

- 7.1. As part of regular supervision meetings, such as 1:1s and performance appraisals, employees and managers/headteachers should maintain an open dialogue about future aspirations, which may include the option to take flexible retirement. The prospect of a contractual change to access retirement benefits can then be discussed and explored as part of a collaborative process.

Get estimates of pension benefits

- 7.2. Employees will need to contact the East Sussex Pension Team who will obtain an estimate of pension benefits. This will include any reduction to these benefits if drawn before 65 years of age. Please note that only one request per annum for an estimate of pension benefits will be made free of charge.

Apply in writing

- 7.3. Employees should make a request for flexible retirement in writing to their manager/headteacher using the [Flexible Retirement Application Form](#). This should include an indication of a possible start date.
- 7.4. Whilst there needs to be at least a 20% reduction in hours or pay, managers will need to consider the overall reduction and whether this is enough particularly in the context of succession planning. The appropriate amount of reduction will need to be mutually agreed.
- 7.5. In cases where an employee intends to move to a lower grade/salary, their line manager will need to be aware of whether an alternative position has already been secured or whether the employee needs to be supported in the change to a different post.
- 7.6. Managers must meet the employee within 28 days of the request and notify the employee of the decision to support the application or agree an extension within 14 days of this meeting. An extension may be necessary, for example, after a manager agrees to support the request in principle but needs more time to look into the proposed new working pattern.

Managers supporting the request

7.7. Managers must:

- confirm their support of the request or any agreed adjustment to the original request in writing to the employee, please see para 7.5.
- complete the business case section of the [Flexible Retirement Application Form](#). Please see below for more information on supporting the application with a business case. The HR Advisory Team can be contacted for advice and guidance.
- send the [Flexible Retirement Application](#) onto their Assistant Director/Headteacher for approval.

Preparing a business case

- 7.8. Each flexible working case should be treated on a case-by-case basis and supported by a business case that considers:
 - The impact on service delivery
 - Succession planning arrangements, to transfer knowledge and skills to others
 - How the employee will phase down to full retirement eg. 3 day working for 2 years, then 2 day working for 2 years, then retire completely.
 - any other costs or savings arising from the flexible retirement, for example, **pension strain costs**, saving on the employee's salary, recruitment of a new employee, additional duties payments made to other members of staff, avoidance of redundancy payment.

Managers decline a request

- 7.9. Where a manager decides that, due to the needs of the service **and/or costs arising**, they are unable to accept an employee's flexible working request, they should promptly meet with the employee to discuss the reasons and then confirm these in writing.
- 7.10. Managers will need to refer to the declining the request section in the [Flexible Working Requests Guidance](#) stating the business ground(s) as to why the request cannot be accepted and provide an explanation of why the business reasons apply in the circumstances.

7.11. If the employee is dissatisfied with this decision, they may follow the review process outlined in the [Flexible Working Requests Guidance](#). No other procedure of the County Council, such as the Grievance Policy can be used once this review procedure has been exhausted.

DRAFT

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