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Dear Councillors,

Thank you for coming to meet me to discuss your concerns on how best to meet the pension costs associated with the retained firefighters' settlement that the Department is currently discussing with the Fire Brigade's Union. As you know, this follows from the House of Lords judgment under the Part Time Workers regulations on which, I understand, the Local Government Association have just finalised their own negotiated settlement on the terms and conditions side of the same case.

The Government's view, as I set out at our meeting, is that a decision about funding the settlement is a matter of policy. Established Government policy is that pension costs are an employer responsibility and funding of liabilities, whether past or future service, should be met by employers. In this way employers are responsible for their decisions which affect the cost of the pension scheme within the statutory framework set by Parliament. Whilst I accept that the statutory framework did not, at that time, permit access to the pension scheme for retained firefighters, the liability that arises is a liability to the firefighters' pension scheme which is funded by employers and employees.

The normal mechanism for managing these past service costs is to conduct a valuation of the scheme and set a period over which this liability should be recovered from employers. The normal spreading period for such a retrospective application of pension benefits is over a 10 year period, although I would be prepared to revisit this spreading period nearer the time should the need arise.

You will be aware that the paper prepared by the Government Actuary's Department was a high level estimate of costs, which was, appropriately, very heavily caveated. We do not yet know what the cost of the settlement will be until all eligible members have decided whether to elect to join the scheme, which is not likely to be until some time into 2014. A scheme valuation will take place shortly after that point and increases in employer contributions would take effect following the outcome of that valuation.

Any employer contribution increase arising from this settlement, alongside other relevant matters, will form part of the Government's considerations for fire resources at the next Spending Review. In addition, any savings to employers arising from the 2015 pension scheme reforms will start feeding through to individual fire and rescue authorities.

You also raised the issue of new burdens, in the context of this being a new obligation placed either on all fire and rescue authorities by Government or on individual fire and rescue authorities that have few or no retained firefighters. As you know, the new burdens doctrine does not apply to policies which apply the same rules to local authorities as to private sector bodies. The retained firefighters' settlement is not new policy but arises from the part time workers legislation introduced in 2000 and which applies to all bodies, public or private.

Whilst the liability associated with the retained firefighter settlement would be spread across all fire and rescue authorities, whether or not they employed retained firefighters, this is a consequence of having a scheme with a single contribution rate but with multiple employers within that scheme. Decisions taken by one employer which increase scheme costs, for instance in relation to increases in members' pay or consolidation of allowances, are met by all employers in that scheme. Whilst I am not prepared to consider an alternative approach for the retained firefighters' settlement at this point, I would be prepared to consider a different approach, should the LGA wish to propose one, to apply to the new scheme to be introduced in 2015.

I understand that you have taken legal advice on a number of the points you raised, in particular on new burdens and the Government's obligation to fund these costs itself. I would find it helpful if you could discuss this in more detail with my officials who will be able to report back to me on the outcome of those discussions. I remain available to meet you again on this issue if you would find it helpful.

A handwritten signature in black ink, appearing to read 'Bob Neill', with a large, stylized initial 'B' and a long, sweeping tail.

BOB NEILL MP