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Communities and  
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*Dear Cllr Hammond,*

0 1 SEP 2014

Thank you for your letter of 13 June about the past service employer costs associated with the Retained Firefighters' Pension Settlement.

The points you raise in your letter are familiar and have been responded to in previous correspondence. In addition, the Department has previously set out the reasons why the past service employer costs do not constitute a 'new burden' in its response to the consultation. Whilst the Department does not agree with the LGA's analysis, you raise some historical issues in support of your claim which, in our view, do not have the effect that you believe them to have.

During the period prior to 2006, fire and rescue authorities paid the pensions of ex-firefighters, with scheme income reducing an authority's operational accounts expenditure. It was the gap between income and expenditure which had a bearing on Formula Grant. If retained firefighters had been in a firefighters' pension scheme between 2000 and 2006 there would have been increased income with active members paying into the scheme with only a minimal amount of pension expenditure in respect of retained firefighters. This income, without corresponding levels of pensions in payment, would have reduced the authority's expenditure from operational accounts, potentially giving rise to lower Formula Grant.

I also do not agree that the introduction of employer contributions represents an accelerated burden. When employer contributions were introduced, the Government took on responsibility for meeting the gap in scheme income and expenditure through a top-grant payment. This gap was previously covered by fire and rescue authorities as explained above. In 2008-09 the top-up grant payment totalled £259m and has since increased to £414 million in 2013-14. In contrast employer contributions have fallen from £204m in 2008-09 to £178m in 2013-14. This means that the Government's costs have increased by £155m over that period, where as fire authorities' costs have decreased by £26m over that same period. It is therefore difficult to see this as an accelerated burden.

Whilst I would be happy to meet, it might be useful for my officials to meet with LGA representatives first if you have any comments on the detail of my response.

**PENNY MORDAUNT MP**