

LEICESTERSHIRE

FIRE and RESCUE SERVICE

Status of Report:

Public

Agenda Item:

19

Meeting: Combined Fire Authority
Date: 10th December 2014
Subject: Firefighters' Compensation Scheme
Report by: The Treasurer
Author: Trevor Peel
For: Discussion

1. Purpose

The purpose of this report is to inform the Combined Fire Authority (CFA) that a sum of £257,650 has been included in the Revised Estimate to correct a long standing error in the accounting treatment of compensation payments made under the Firefighters' Compensation Scheme in relation to the dependants of firefighters who have died whilst on duty.

2. Executive Summary

- 2.1 The Firefighters' Compensation Scheme was introduced in April 2006 and replaced previous compensation regulations included in the 1992 Firefighters' Pension Scheme (FPS). Any award made under the scheme should be charged to the CFA. Following a request from the Department of Communities and Local Government (DCLG) all such awards have been reviewed and three were found to be incorrectly charged to the Pension Fund which is funded by DCLG.
- 2.2 At the time of writing this report it is understood that 17 Fire and Rescue Authorities (FRAs) are in a similar position and about £34m has been overpaid to those FRAs by DCLG. A meeting of those FRAs affected is being held on the 19th December 2014 in Leicestershire to discuss how this issue will be taken forward with DCLG.

3. Report Detail

- 3.1 On the 4th July 2014 it was brought to the Treasurer's attention via a DCLG e-mail that a number of FRAs had been making compensatory payments (in respect of injury awards and injury gratuities) from their pension account. The financing provisions of the Firefighters' Pension Schemes do not permit the payment of injury awards or injury gratuities from the pension account. These items of expenditure are not considered legitimate expenditure under the pension account arrangements and as such should be paid from the CFA's revenue account.

- 3.2 Following this information, DCLG asked FRAs to confirm in writing that since the new financing arrangements were introduced in April 2006 that the CFA had paid any compensatory payments in respect of injury awards and injury gratuities from their revenue accounts i.e. they had not been paid from the pensions account. This also included 'protected rights' Whole Time Equivalent (WTE) compensatory payments [which includes the ill-health pension, injury award and injury gratuity elements] that have been paid to retained firefighters who were employed from before the 6th April 2006 and who have been ill-health retired due to a qualifying injury. Such payments were checked by Finance staff and assurance given to the Treasurer and DCLG that they had been correctly accounted for.
- 3.3 On the 23rd October 2014, a further e-mail was received from DCLG. They had received responses from all FRAs. However, following further investigation, some FRAs had subsequently advised DCLG that their initial response was incorrect. As such, DCLG asked all FRAs to re-confirm that they are treating the payment of compensation awards correctly. DCLG stressed that it was important that FRAs undertake the necessary due diligence checks to ensure that the response they give to this request is correct and final. For the avoidance of any doubt, DCLG stated that the following compensation expenditure should be paid direct from FRA revenue accounts (not from their pension accounts):
- 'Protected rights' ill-health and injury pensions in respect of retained firefighters who have been medically retired.
 - Injury awards and awards payable on the death of any firefighter (retained or regular) attributable to a qualifying injury.
 - Survivor benefits that relate to the death of a firefighter resulting from injury.
- 3.4 The CFA undertook these due diligence checks and the Treasurer found that since the introduction of the changed accounting treatments for firefighters' pensions in April 2006 the CFA had failed to charge payments made to the dependants of three firefighters who have died whilst on duty against the CFA's Revenue Budget. These compensation payments are available to all firefighters, regardless of their membership of the firefighters' pension schemes and were explicitly excluded from the CFA's Pension Account established in 2006.
- 3.5 Between April 2006 and March 2014 £257,650 has been charged incorrectly against the CFA's Pension Account. Any shortfall on the Pension Account is fully reimbursed through a DCLG grant. This means that the total shortfall is due to DCLG and a suitable provision has been made in the Revised Estimate. All expenditure post April 2014 has now been charged to the CFA and provision made in the 2014/15 Revised Estimate and future budgets.

4. Report Implications / Impact

4.1 *Legal (including crime and disorder)*

These are included in the main body of the report.

4.2 *Financial (including value for money, benefits and efficiencies)*

These are included in the main body of the report.

4.3 Risk (including corporate and operational, health and safety and any impact on the continuity of service delivery)

All known compensation payments have been checked against current Payroll and Pension Records. All injury awards are either currently charged to the CFA or suspended. It has not been possible to check all individual payments back to April 2006 but based on a complete check for all 2014 cases the risk of an incorrect charge in this period is considered low.

4.4 Staff, Service Users and Stakeholders (including the Equality Impact Assessment)

These are included in the main body of the report.

4.5 Environmental

None

4.6 Impact upon Our Plan Objectives

None

5. Recommendations

The CFA is asked to note the report and request an update following the meeting on the 19th December 2014.

6. Background Papers

- a) DCLG e-mail 4th July 2014 to the Treasurer titled "confirmation on treatment of injury awards"
- b) DCLG e-mail 23rd October 2014 to the Treasurer titled "confirmation on treatment of injury awards"

7. Appendices

None