

“ From: tim@timfarron.co.uk

Sent 29 October 2019 08:48

Subject: (Case Ref: TF111169)

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FOR THE PERSONAL ATTENTION OF THE MINISTER, GUY OPPERMAN MP

Dear Guy

I write to represent my constituents who have approached me with regard to their concerns over a “black hole” in the Lancashire fire-fighters pension scheme and potential massive underpayment involving thousands of disabled Firefighters and their Pension Beneficiaries, which amounts to millions and will potentially bankrupt the Lancashire Fire and Rescue Service, even though the firefighters are entitled to this money.

From what I understand, this matter has been raised with you previously and to date I am unaware of what action the Government propose to take to right this obvious injustice? In summary, the principal scheme in payment from 1992 was the Fireman’s Pension Scheme until closure to new entrants in 2004. Members paid 11% per month into this scheme deducted at source. Historically, every Fire Authority Pension fund was “underfunded”. This meant that the 49 Fire Authorities routinely started every financial year with their pension pot empty and concluded the year with a substantial deficit, after having paid the Statutory pensions due to their retired Fire Service Veterans of whom a substantial number are disabled through service injury; to their Widows (Half-50%) and Beneficiaries. Simply put, if the pension is miscalculated or wrong, then everyone suffers.

At the end of the financial year the Fire Authorities would then routinely reclaim all this pension expenditure (in arrears) as part of the grant aid which they would receive from central government via the Home Office (The Fire Service Department) by reclaiming 100% of their total pension expenditure the previous financial year. Problems came to light in August 2014 when the Essex Gazette headlined an article that the Essex County Fire and Rescue Service (ECFRS) has “discovered” a black hole in its pension accounts amounting to a deficit of £15 million which had been accumulating unnoticed since 2006.

HM Treasury required immediate repayment of this huge deficit (with interest) to them and to the taxpayers, or face further commercial compound interest penalties. Bankruptcy loomed and the money had to be found from the Essex reserves.

It soon became clear that Staffordshire and Cheshire FRS found themselves in a similar position and it was a reasonable speculation that if this recurring “error” had afflicted 3 Fire Authorities beginning in 2006, then it is likely to have affected all 49 Fire Authorities over the following 8 year period. It seems likely, but still uncertain at this stage that, when the first year of change came around in 2006, Fire Authorities made the usual 100% annual reimbursement claim.

At this point Fire Authorities, in the complex pension accountancy procedures which were mandated, were required to pay back 20% of this annual grant by the DCLG/H.M.Treasury after discharging their statutory duty to pay disabled Fire Service Veterans their injury pensions but they either failed to make this payback to the correct value or simply failed to pay it back at all. Fire Authorities simply cannot claim ignorance because they are in daily communication, via their behind the scenes 'Fire Finance Network'. It is a reasonable assumption that, when one Fire Authority 'discovered' that they had failed to reimburse the DCLG/H.M.Treasury properly, and because they assumed DCLG Firefighters' Pension Team would not 'police' their own rules effectively, what happened it would appear is that false accounting was not picked up. Did Fire Authorities take an extra 20% grant aid 'bonus' to which they knew they were not entitled?

At Governmental level there are, I understand, 4 civil servants in the DCLG Fire and Resilience Directorate, in particular, the Firefighters' Pension Team (which now resides at the Home Office), who are nationally responsible for managing Fire Service Pension Schemes, which includes annual reviews. This begs the question, were these annual checks ever made and if not, why not? It certainly seems that they either failed in their statutory duty to report all of this to the Pension Regulator.

In 2007 the Lancashire Fire Rescue Service "discovered", it alleged, that Fire Service Veterans had not been kept informed (which they had) of deductible DWP benefits resulting in alleged overpayments, which amounts to gross maladministration. It also appears that Lancashire have not been paying retired firefighters correctly, as set out in pension regulation, for example, if a firefighter retired on genuine ill health grounds, replacing illegally the B3 compensatory pension, due to that person under 1992 SI 192, by the ordinary lesser B1 pension a fireman would have become entitled to on choosing to end their career by taking early retirement in good health.

The 1992 Home Office Commentary' was published to accompany and interpret the new legislation to avoid just such 'errors' in the laymen hands of pension providers. In Lancashire this was ignored and the Commentary was not made available to retirees, though plainly intended to be. When firefighters have applied to the service to have this error resolved, they have been rebuffed and, as I understand it, 11,000 firemen retired on grounds of ill health under 1992 SI 192, until superseded in 2006. Given the scale of the problem, where many men may have been awarded an ordinary pension, when in fact they had a qualifying injury and as such, should have been entitled to payment of an enhanced ill health pension and compensatory injury award. They should not be suffering financial hardship through no fault of their own and mistakes in the administration of the pension scheme appear to continue to this day with, it is alleged, no appeals procedure with Lancashire to have their cases heard?

Can I ask you to investigate, with a degree of urgency, what is happening within the Lancashire Fire and Rescue Service pension scheme, which is affecting some of my constituents. From all I have seen, there appears to be LCFA some £4.5mil to reimburse the Lancashire Fire Pension Service Fund which appears to have been 'borrowed' by senior officials commencing a decade ago whereby In-Service Firefighters were short changed on their future pensions. If this money is paid back in full, which should surely be the case, the service goes bust. However, Lancashire Constabulary Fire Authority Chair have offered a settlement to the Firefighters in which the LCFA will decide the date when the pay back will go back to, instead of 2010 which should be the only moral and correct date,

and will make the payment of a final settlement of £0.5mil in to the Pension Fund. Next the LCFA are going to have to find underpaid pension reimbursements for at least 167+disabled Fire Service Veterans, their Widows, and Beneficiaries when, not if, the LCFA are forced by law to pay back, with compound interest, over some extremely extended times of pension underpayment -two decades and more- the correct pensions which once more should have been picked up by the Pension Scheme Manager. This ought to have been reviewed and corrected many years ago and calls into question why a serious investigation into how this pension scheme has been so woefully mismanaged has not been ordered to date?

One of my constituents who is affected has suggested on a guesstimate calculation of his own underpayment, and based on a median figure of say £250k overdue per Beneficiary, the LCFA are going to have to scrape up around £41.8million, in addition to £4.5million, making around £46.3million out of a budget of around £55million leaving an unworkable balance of £8.7million. Should LCFA go cap in hand to HM Treasury for support, I have little doubt that HMT will reply ...' well this fault is down to the Scheme manager who had a legal duty to pay the correct pensions in the first place and run the Pension Scheme according to the law and you will have to pay the bills due from your own reserves.

If the first bill for £4.5million does not lead to LCFA bankruptcy, the second for £41.8million certainly will, resulting in the massive closures of many Lancashire Fire and Rescue Stations and an equally massive reduction in the uniformed establishment of crews (85% of running cost of the FRS are salaries), with a commensurate reduction of 'fire and emergency cover' over all of Lancashire.

If this dramatic and alarming unfolding story does not capture your attention I doubt what else will and I therefore ask for an urgent review to be undertaken. I am more than happy to put you in touch with affected firefighters. Seeing through their eyes how they have been poorly treated and deprived of what is rightfully theirs is worrying and the suggested criminality which is alleged, of knowingly covering these matters up, even more shocking.

Thank you for your time and assistance in this matter.

With best wishes

Yours sincerely

TIM FARRON MP."