

Buckinghamshire & Milton Keynes Fire Authority



MEETING	Executive Committee
DATE OF MEETING	19 November 2014
OFFICER	Lynne Swift, Director of People & Organisational Development
LEAD MEMBER	Councillor Roger Reed
SUBJECT OF THE REPORT	Response to consultation on Firefighters' Pension Scheme 2015: Proposals for new governance arrangements
EXECUTIVE SUMMARY	<p>This report sets out the Authority's response on the draft Governance Regulations for the Firefighters' Pension Scheme 2015 (Appendix 4) following the six week consultation period which closes on 21 November 2014</p> <p>The consultation was announced on 10 October 2014 and supported by a letter from the Parliamentary Under Secretary of State, Penny Mordaunt MP to firefighters; Appendix 3 of this report.</p> <p>Appendix 1 of this report; 'Firefighters Pension Scheme 2015 proposals for new governance arrangements' explains the policy context relating to stronger governance for public sector pension schemes, as recommended by Lord Hutton in 2011 and carried forward into the Public Services Pensions Act 2013.</p> <p>It also sets out the terms for the establishment of a new single national Scheme Advisory Board which will be in place from April 2015 and the requirement for each Fire and Rescue Authority to establish a local Pension Board, also by 1 April 2015.</p> <p>The consultation applies only to England.</p> <p>In addition, Appendix 2; The Firefighters' Pension Scheme (Amendment) (Governance) Regulations 2015 sets out the draft new and amended regulations required to ensure the Firefighters' Pension Scheme 2015 comply with the requirements in the Public Services Pensions Act 2013.</p> <p>The draft regulations include a mechanism to control future costs of the Firefighters' Pension Scheme 2015 should the costs of the scheme go above or below the 'employer cost cap'. This mechanism aims to protect taxpayers and employers from unexpected cost increases to maintain sustainability and affordability.</p>

ACTION	Information.
RECOMMENDATIONS	<p>It is recommended that the Executive Committee:</p> <ol style="list-style-type: none"> Note the Authority's response to the consultation paper on the Firefighters' Pension Scheme 2015 Proposals for new governance arrangements (Appendix 4). A follow up report will be presented once the final governance arrangements are announced.
RISK MANAGEMENT	<p>Initial risk assessment has identified potential risks as follows:</p> <p>Regulations: There is a lack of clarity in the draft regulations which are not detailed and raise many questions and concerns, having little regard for the significant impact on Fire Authorities.</p> <p>Timescales: The deadline is set in the Public Service Pensions Act 2013 and there is no flexibility to have a different timescale. Work to establish the membership and manner of appointments to the Board will be necessary before the deadline of 1 April 2015. This deadline is likely to be challenging to meet.</p> <p>An option to mitigate this risk is for the regulations to follow the approach taken for the Local Government Pension Scheme (LGPS) governance arrangements; having a local Pension Board established by 1 April 2015 does not mean the requirement for all members to be appointed and trained. By 1 April 2015, as a minimum, the aim would be to establish the terms of reference and the local Pension Board constitution to have been approved.</p> <p>Control: Shifting the administrative burden from central government to local authorities and managing elements of the Firefighters' Pension Scheme 2015 locally without corresponding controls of funds raises questions not detailed in the consultation including level and type of decision making of local Pensions Boards. If simply administrative scrutiny, there is a risk of not attracting the right calibre Board members.</p> <p>The creation of over 40 local Pension Boards will also create potential for inconsistency.</p> <p>Decision making: There is a need to be clearer as to where the decision making and delegated authority lies for the local Pension Boards. As proposed, local Pension Boards are not responsible for managing or investing funds related to meeting pension commitments.</p> <p>Financial: There is a lack of information on funding of Pensions Board costs and allowances. Only mechanisms to control scheme costs via the employer cost cap are mentioned.</p> <p>Training: Detailed understanding will be required for</p>

	<p>members of the local Pension Board. The initial learning curve and specialist knowledge requirements will be significant. Some of the risk could be mitigated by sourcing specialists to assist.</p> <p>Administration: The proposals appear to create a huge administration burden and increased bureaucracy with little added benefit.</p> <p>National guidance for Scheme Managers on these issues provided as soon as possible would help determine the level of probability and impact of these potential risks.</p>
FINANCIAL IMPLICATIONS	At the present time there is not enough detail to ascertain the financial implications. Once the final regulations are released a report will be forthcoming.
LEGAL IMPLICATIONS	The Public Service Pensions Act 2013 gives the Secretary of State powers to make regulations to prescribe that each scheme to have a Pension Board in place to "assist the Scheme Manager in ... compliance" with, as a minimum, scheme regulations and the Pension Regulator's requirements.
HEALTH AND SAFETY	There are no health and safety implications.
EQUALITY AND DIVERSITY	Equality and diversity requirements will be included and accounted for with any potential local Pension Board makeup once the regulations are finalised.
USE OF RESOURCES	<p>Communication with stakeholders: Stakeholder communication is a significant element of successful implementation of the Firefighters' Pension Scheme 2015. This consultation documentation has been communicated to staff in accordance with usual practice.</p> <p>The system of internal control: Regular reports will be provided to the Strategic Management Board, Executive Committee and Fire Authority as necessary.</p> <p>The balance between spending and resources: Funding for additional expenditure needs to be identified and it needs to be established whether this is funded through current resources or additionally required.</p> <p>Training requirements will need to be established. It is anticipated that detailed understanding will be required therefore specialist training will need to be sourced and funded.</p> <p>The arrangements to promote and ensure probity and propriety: Current audit arrangements and service level agreements will be revised to ensure compliance.</p>
PROVENANCE SECTION	<p>Background: Independent Public Service Pensions Commission:</p>

<p align="center">& BACKGROUND PAPERS</p>	<p>final report by Lord Hutton, published 10 March 2011 http://www.nhsbsa.nhs.uk/Documents/Pensions/hutton_final_100311.pdf Public Services Pensions Act 2013 http://www.legislation.gov.uk/2013?title=public%20services%20pension%20act</p>
<p>APPENDICES</p>	<p>Appendices:</p> <ol style="list-style-type: none"> 1. Firefighters' Pension Scheme 2015: Proposals for new governance arrangements October 2014 2. The Firefighters' Pension Scheme (Amendment) (Governance) Regulations 2015 3. Parliamentary Under Secretary State, Penny Mordaunt Open letter to firefighters 10 October 2014 4. Consultation response to the Firefighters' Pension Scheme 2015: Proposals for new governance arrangements
<p>TIME REQUIRED</p>	<p>10 minutes.</p>
<p>REPORT ORIGINATOR AND CONTACT</p>	<p>Lynne Swift, Director of People & Organisational Development lswift@bucksfire.gov.uk 01296 744679</p>