

Pay and Prices Assumptions

Report of the Treasurer

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1 Purpose of Report

This report sets out the possible provision to be made for pay and price inflation in 2012/13 and later years.

2 Recommendations

The Committee is asked to recommend that the Fire Authority bases its future budget plans at present on option 2, as exemplified in paragraph 5.

3 Background

During this year's strategic planning process, the Fire Authority has continued its policy of fixing a realistic provision for pay and prices changes. A long-term view has been adopted, which has ensured low steady increases in precept, with savings identified, when the position with pay awards has been confirmed. This strategy has avoided the need to put pressure on future budgets, when pay awards may exceed those seen in recent years.

The methodology previously adopted by the Authority for establishing its pay and prices contingencies has been to:

- i) Analyse its base budget (2011/12) into the spending areas, where pay or price changes can be significant;
- ii) Make pay assumptions for firefighters, based on any consensus that exists among fire authorities for the likely outcome of the nationally negotiated settlement;

- iii) Make pay assumptions for other pay, based on a realistic expectation of the outcome of any outstanding negotiations;
- iv) Take account of known issues, such as increments; rank to role; expected progression through scales; and tax changes; and
- v) Analyse the non-pay and income budgets into key elements, including those to which no inflation applies, such as debt charges, and apply appropriate percentages to each.

4 Current Developments

During 2011/12, confirmation was received that there would be no pay awards for the previous financial year. As a result, funds relating to the provision of this pay award have been removed from the base budget (See Base Budget plus Committed Change report 7a). Some inflationary adjustments have been made during 2011/12, namely increasing the capital schemes for fire appliances, and inflating the budget for business rates.

At its meeting on 8 June 2011, the Strategic Risk and Planning Working Group discussed the issues around pay assumptions and inflationary pressures over the next five years. As pay and prices is the most significant element of the budget setting process, it is important that consistent and realistic assumptions are made. A 1% variation in price assumptions increases or reduces the budget by around £50,000, and a 1% change to pay assumptions makes a difference of around £160,000.

Following its discussions, the Group agreed that inflation assumptions should remain at 2%, whilst pay increases should remain at 2% for 2012/13, and from 2013 should be budgeted at 2.5%.

5 Conclusions

The figures for pay and price assumptions over the next five years will be budgeted as follows:

| | Pay | | Prices | |
|----------------|-----|-------|--------|-------|
| | % | £'000 | % | £'000 |
| 2012/13 | 2.0 | 300 | 2.0 | 102 |
| 2013/14 | 2.5 | 386 | 2.0 | 104 |
| 2014/15 | 2.5 | 411 | 2.0 | 106 |
| 2015/16 | 2.5 | 421 | 2.0 | 108 |
| 2016/17 | 2.5 | 432 | 2.0 | 110 |

6 Financial Implications

The financial implications are as outlined in the report.

6 Legal Comment

There are no direct legal implications arising from this report.

7 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

8 Appendix

There are no appendices attached to this report

9 Background Papers

There are no background papers associated with this report.