

Pay and Prices Assumptions

Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.

1 Purpose of Report

The report sets out the possible provision to be made for pay and price inflation in 2009/10 and later years.

2 Recommendations

The Committee is asked to recommend that the Authority base its future budget plans on pay assumptions of 3½ % and 3% a year and 2½ % for prices.

3 Background

The Authority has always had a policy of fixing a realistic provision for unknown pay and prices changes. This avoids, on the one hand making too big a charge on the tax payer, leading either to pressure elsewhere in the budget or to under-funding. If too small a provision is made then the balance would have to be funded elsewhere in the budget, either from reserves or possibly by cuts in service. The following year's budget would then have to make up the shortfall; and find money to restore the service cuts if they were not to be ongoing.

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

- i) Analyse its base budget (2008/09) into the spending areas where pay or price charges can be significant;
- ii) Make pay assumptions for firefighters based on any consensus that exists among fire authorities for a formula based on negotiated outcome;
- iii) Make pay assumptions for other pay based on a realistic expectation of the outcome of any outstanding negotiations;

- iv) Take account of known problem areas such as increments; rank to role; expected progression through scales; tax changes
- v) Analyse the prices budget into key elements including those to which no inflation applies, such as debt charges, and apply appropriate percentages to each.

4 Current Developments

The Authority's policy has always therefore been to make realistic provision for unknown pay and price changes. After a number of years during which pay and prices have been relatively stable, assumptions of 3½% for firefighters pay, 3% for other pay and 2½% for prices, have proved affective.

In 2008/09 price inflation has exceeded estimates but this has been matched by pay settlements being lower than anticipated. Looking forward, there is great uncertainty. The key determinants are pay settlements – in July for firefighters and April for support staff. For example the table below shows how our budget is made up:-

	Base Budget 2008/09	Inflation Estimate	
	£ 000	%	£ 000
Firefighter pay etc (* adjusted for 2008 awards)	12,862	3½ *	425
Support staff pay etc	1,916	3	57
Prices / Increase	4,687	2½	117
Zero Items	932		-
	20,034		599

i.e. 1% error in the assumptions on the firefighters' pay settlement costs / saves £129,000 in a full year.

5 Conclusions

There is no consensus over how pay and prices will move over the next year, or indeed the five years of the service plan. In addition other unknown factors may increase or reduce the cash costs of simply maintaining current service levels. It is therefore recommended at this stage, to continue to plan on previous assumptions. The detailed calculations are shown in the appendix.

6 Financial Implications

The financial implications are as outlined in the report.

7 Legal Comment

There are no direct legal implications arising from this report.

8 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.

9 Appendix

Pay and Prices Assumptions 2009/10 to 2011/12

10 Background Papers

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	*
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*

Pay and Prices Assumptions 2009/10 to 2011/12

		Base 2009 £	Assumption	2009/10 £	2010/11 £	2011/12 £
Firefighter Pay						
	2008 July	11,764,978	2.45%	72,060	72,060	72,060
	2009 July	11,837,039	3.5%	310,722	414,296	414,296
	2010 July	12,251,335	3.5%		321,598	428,797
	2011 July	12,680,132	3.5%			332,853
				382,783	807,954	1,248,007
Chief Officers Pay						
	2009 January	468,201	3.5%	16,387	16,387	16,387
	2010 January	484,588	3.5%	4,240	16,961	16,961
	2011 January	501,549	3.5%		4,389	17,554
	2012 January	519,103	3.5%			4,542
				20,627	37,736	55,444
Control						
	2008 July	629,284	2.45%	3,854	3,854	3,854
	2009 July	633,138	3.5%	16,620	22,160	22,160
	2010 July	655,298	3.5%		17,202	22,935
	2011 July	672,500	3.5%			17,653
				20,474	43,216	66,603
Support Staff Pay						
	2009/10	1,916,009	3.0%	57,480	57,480	57,480
	2010/11	1,973,489	3.0%		59,205	59,205
	2011/12	2,032,694	3.0%			60,981
				57,480	116,685	177,666
Prices						
Indirect Employees Expenses						
	2009/10	450,810	2.5%	11,270	11,270	11,270
	2010/11	462,080	2.5%		11,552	11,552
	2011/12	473,632	2.5%			11,841
				11,270	22,822	34,663
Premises						
	2009/10	888,660	2.5%	22,217	22,217	22,217
	2010/11	910,877	2.5%		22,772	22,772
	2011/12	933,648	2.5%			23,341
				22,217	44,988	68,330
Transport						
	2009/10	804,865	2.5%	20,122	20,122	20,122
	2010/11	824,987	2.5%		20,625	20,625
	2011/12	845,611	2.5%			21,140
				20,122	40,746	61,887
Supplies and Services						
	2009/10	2,165,343	2.5%	54,134	54,134	54,134
	2010/11	2,219,477	2.5%		55,487	55,487
	2011/12	2,274,964	2.5%			56,874
				54,134	109,620	166,495
Debt Charges						
		696,000				
Investments						
		(260,000)				
Other Income						
	2009/10	(203,703)	2.5%	- 5,093	- 5,093	- 5,093
	2010/11	(208,796)	2.5%		- 5,220	- 5,220
	2011/12	(214,015)	2.5%			- 5,350
				- 5,093	- 10,312	- 15,663
Pension						
	2009/10	399,620	2.5%	9,991	9,991	9,991
	2010/11	409,611	2.5%		10,240	10,240
	2011/12	419,851	2.5%			10,496
				9,991	20,231	30,727
Contingency						
	2009/10	181,748	2.5%	4,544	4,544	4,544
	2010/11	186,292	2.5%		4,657	4,657
	2011/12	190,949	2.5%			4,774
				4,544	9,201	13,975
Contribution to Reserves						
		133,000				
		20,034,815		598,548	1,242,888	1,908,132