

NOTE OF THE TREASURER

PAY AND PRICES ASSUMPTIONS

1 Purpose of Note

This note proposes an additional provision for pay and price increases to be added to the 2006/07 base budget.

2 Summary

The calculations based on current assumptions would require the following additional amounts:

2007/08	£598,000
2008/09	£1,148,000
2009/10	£1,690,000

3 Background

The objective is to predict what the Fire Authority will need to find for pay and price increases during the next three years. This means striking a balance on the one hand between overbudgeting and, therefore, making unnecessary claims on the Council Tax payer; and on the other hand under-providing, which would require an unbudgeted call on the General Balance in 2007/08 and add further pressure on the precept increase needed in 2008/09.

4 Methodology

The method for deciding amounts required is to set out the 2006/07 base budgets and apply assumed percentage increases to them. Pay is largely governed by national pay awards and the Fire Authority has little direct control. The current general known consensus on pay awards amongst Fire Authorities is that firefighter pay may go up by 3.5% and support service officers pay by up to 3%.

Prices are more complicated and past practice has been to disregard those budgets, where prices are fixed, e.g. leasing costs, debt charges, and apply an across-the-board percentage, which in past years has been generally 2.5%. This has meant that some budgets have been overprovided, e.g. when prices remain frozen or even reduce, whereas other budgets, e.g. energy costs, have been underprovided. Nevertheless, the overall position has usually been a reasonable approximation.



In any case the current practice is to hold the provision for prices within the Executive Business Area and only release monies to budget holders, if there is evidence that inflationary increases are needed.

5 Current Base

The current base can be allocated as follows:

			2007/08 £ 000	2008/09 £ 000	2009/10 £ 000
i Pay: Firefighters	£12,649,000				
July 2006 award effectively 3.5%			110	110	110
July 2007 award – 3.5%			335	446	446
July 2008 award – 3.5%				355	474
July 2009 award – 3.5%					368
- Long Service Increments			42	42	42
- Continuing Professional Development			42	42	42
- Rank to Role (in contingency)			-	-	-
- Competence increases			30	60	60
ii Pay: Support Staff	£1,646,000				
April 2007 award – 3%			49	49	49
April 2008 award – 3%				51	51
April 2009 award -3%					52
iii Prices					
Premises	£860,000	2.5%	21	22	23
Fuel and oil	£104,000	2.5%	3	3	3
Other transport	£342,000	2.5%	9	9	9
Hydrants and Equipment	£836,000	2.5%	21	22	23
Other	£1,167,000	2.5%	29	30	31
iv Income	£344,000	2.5%	9	9	9
v Non Inflationary Items	£1,036,000		-	-	-
Total			598	1,148	1,690

6 Conclusion

At present, and before applying more detailed percentages, it is proposed that the total amounts shown in paragraph 5 above, are added to the base budget.

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

