



AGENDA ITEM: 6

NORTH WALES FIRE AND RESCUE AUTHORITY EXECUTIVE PANEL

12th December 2006

PENSION PROVISION

Report by Ken Finch, Treasurer

Purpose of Report

1. A Pension Review report was submitted to the Fire Authority on 23 October 2006 and one of the recommendations was that a report be prepared for the Authority's December meeting detailing the amounts that can be returned from the Pension Provision to the constituent authorities.

Introduction

2. New financing arrangements for the Firefighters' Pension scheme took effect in England from April 2006 and a similar scheme in Wales will commence in April 2007. Under the new scheme the arrangements for the payment of commutations will change and as a consequence it will not be necessary to hold such a large Pension Provision.
3. The current balance on the Pension Provision is £1,792,366 after £162,200 being utilised to fund the budget for 2006-07. An assessment of future liabilities that may impact on the provision has now been undertaken and the amount to be returned to the constituent authorities has been calculated.



Future Liabilities

4. Current indications are that it will be necessary to retain £665,000 for possible future pension liabilities. Included in the amount to be retained for pensions is an assessment of the future liabilities for Ill Health pension contributions, possible calls on the provision for commutation payments in 2006/07 and an estimate of the costs to the service for retained staff joining the new pension scheme in 2007/08.
5. Members agreed to set aside £100,000 from the 2004/05 underspend in to a provision to cover the costs of the project and contribute towards set up costs of moving the current control room to a Tri-Control in conjunction with the Police and Ambulance Service. The results and conclusions from the project are included in a separate report on the agenda. However, additional set up costs over and above the £100,000 already set aside for the Tri-Control are £127,000 and if the scheme goes ahead there is no provision in the current budget to meet these costs. It is therefore proposed that these additional set up costs are funded from the Pension Provision.

Repayment to the Constituent Authorities

6. Taking account of the points set out above, it is reasonable to repay £1,000,000 of the Pension Provision to the constituent authorities. The allocation to each authority is to be based on the 2004 Mid-Year Population Estimates, the base used for the 2006/07 contributions. The details of the amounts to be repaid to each authority are outlined in the table below.



Repayment to the Constituent Authorities *(continued)*

| Authority | Mid-Year Population Estimates 2004 | Amount to be Repaid £ |
|--------------------------------|------------------------------------|-----------------------|
| Anglesey County Council | 68,700 | 101,853 |
| Gwynedd Council | 118,100 | 175,093 |
| Conwy County Borough Council | 111,800 | 165,752 |
| Denbighshire County Council | 95,600 | 141,735 |
| Flintshire County Council | 150,100 | 222,535 |
| Wrexham County Borough Council | 130,200 | 193,032 |
| | 674,500 | 1,000,000 |

7. It is not possible to put any form of caveat or condition on the repayment but in outlining this proposal to the Chief Finance Officers of the constituent authorities and other finance colleagues, it is recognised that the adjustment to the Revenue Support Grant Settlement for the new pension scheme may leave a relative 'gap'. The return of the Pension Provision could assist in funding the 'gap', or, alternatively, could be held as a form of contingency against any upward fluctuation in Fire Authority costs in the future.
8. At the time of writing this report the Welsh Assembly Government (WAG) had just announced that it would provide £1.4m towards the cost of the new scheme. This is clearly welcomed and hopefully will not be overturned in the debate on WAG's budget.



Recommendations

9. that £665,000 of the Pension Provision be retained for future pension liabilities.
10. that £127,000 of the Pension Provision be used to fund the set up costs of the Tri- Control if it is agreed that the scheme will go ahead.
11. that £1,000,000 of the Pension Provision is repaid to the constituent authorities.