

2017/18 Budget – Inflation & Other Price Factors

Budget Council 01 March 2017

The preparation of the base budget has been prepared in line with Financial Regulations. In particular this includes:

- a) Inclusion of all Council commitments to date;
- b) Exclusion of fixed term or one-off items of expenditure or income that “fall out” in each year;
- c) Re-pricing of each year’s base budget outturn basis using the factors shown below.

Where the authority is tied into differential contractual price increases, the contractual rates will be used. The table below covers all other scenarios. The factors are based on the Bank of England Inflation Report (November 2016), HM Treasury Economic Forecast (November 2016) and consultation with other Council services. It should be noted that for some cost areas there is little or inconsistent information available to inform future price movements and that certain costs, such as fuel, have been subject to significant price volatility in previous years.

	2017/18 %	2018/19 %	2019/20 %	2020/21 %
General Inflation (CPI)	2.0	2.4	2.4	2.4
Pay Award	1.0	1.0	1.0	1.0
Members Basic Allowance	1.0	To be determined by the IRP		
Energy	6.3	4.2	5.1	4.8
Water	2.1	2.5	2.5	2.5
Transport	2.7	2.6	8.2	9.0
Insurance	10.0	10.0	10.0	10.0
Building Repairs	2.0	2.4	2.4	2.4
Business Rates	2.0	3.0	3.2	2.0
Landfill Tax	2.0	3.3	3.3	3.3
Fees & Charges	2.0	2.4	2.4	2.4

Estimated Impact of Pay & Inflation on the General Fund:

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
General Inflation (CPI)	132	295	470	620
Pay Award	187	377	569	762
Members Basic Allowance	2	2	2	2
Energy	27	45	74	103
Water	5	11	17	23
Transport	14	27	67	111
Insurance	60	120	178	236
Building Repairs	66	145	226	305
Business Rates	22	56	91	114
Landfill Tax	6	17	27	38
Fees & Charges	-195	-441	-683	-933
TOTAL	326	654	1,038	1,381

Note that some of the values shown above will cover increases tied into contractual agreements.

Information on other budget factors is given below:

Pay award

A 1% pay award has been assumed for all years.

National Insurance

The current NI is in the range of 0% to 13.8% (average rate being 6.6%) and has been applied to all years.

Superannuation

For 2017/18 to 2019/20 the contribution rate was set to increase to 15.5% following the latest triennial pension fund review, however by paying the full amount due up-front the Council can make significant savings. The resulting pension rate equates to an average of 13.8% over the three years. For 2020/21 it is assumed the rate will be 15.5%.

Fees and Charges

Fees and charges increases are grouped into three main categories for the purposes of budgeting for pricing increases, these being Prescribed & Regulated, General, and Cost Recovery.

Prescribed / Regulated Fees & Charges:

This covers fees and charges that are either set by central government or an external agency, or are similarly regulated – as such, the City Council has little or no discretion with regard to actual fee levels and charges, an example being *planning* application fees. The base budgets will be based on known set fee levels, or on expected levels across the three year period.

Fees & Charges linked to Cost Recovery:

These fees and charges will be budgeted for on the basis that the related activity will achieve any pre-determined financial objective for the year, e.g. breaking even by way of recovering the running costs of the service. Examples of these are *Building Regulation fees* (this is also a statutory requirement) and various *Service Charges*.

General:

Other general fees and charges have been linked to the CPI rate of inflation, unless specific decisions have been taken otherwise.