

2009/10 Budget – Inflation & Other Price Factors As Reported to Cabinet 20 January 2009

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 2008), Ofwat Report (October 2008), and consultation with other Lancashire Authorities and City Council Services. It should be noted that for some cost areas there is still little or inconsistent information available regarding future price movements. The position will continue to be monitored and if changes are necessary, these will be reported during the budget process.

	2009/10 %	2010/11 %	2011/12 %
General	1.5	2	2
Pay Award	2	2	2
Energy	0	0	0
Water	4	4	4
Transport	1.5	2	2
Concessionary Travel	5	5	5
Insurance	1.5	5	5
Building Repairs	1.5	2	2
Business Rates	3	3	3
Council Tax	4	4	4
Landfill Tax	25	2	2
Housing Rents	5	5	5
Fees & Charges	2	2	2

Estimated Impact of Pay & Inflation Assumptions:

	2009/10 £000's	2010/11 £000's	2011/12 £000's
General	101	169	179
Pay Award	442	436	432
Energy	0	0	0
Water	11	10	11
Transport	20	28	28
Concessionary Travel	131	140	146
Insurance	5	17	17
Building Repairs	19	26	26
Business Rates	24	23	24
Landfill Tax	33	3	3
Fees & Charges	-215	-192	-202
TOTAL	571	660	664

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

Information on other budget factors is given below:

Interest Rates

For investments (other than for existing fixed rate investments), interest rates of 2.25%, 3% and 4% have been assumed, from 2009/10 onwards.

National Insurance

Based on bandings effective from 1 April 2009, in range 0% to 12.8%. (The average NI rate is 7%)

Superannuation

For 2009/10 the rate payable is 18.1%. For 2010/11 and 2011/12 the rate is 19.1% (confirmed for 2010, provisional estimate for 2011/12).

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. Examples of these include **licensing** application fees and **planning** 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

The general inflationary increase applicable to fees and charges will be based on a proportion ($\frac{1}{4}$) of the general inflation factor and a proportion ($\frac{3}{4}$) of the pay factor (reflecting that the authority's main costs are staff related). Given the percentages involved, this has been rounded to 2%.