

2011/12 Budget – Inflation & Other Price Factors

As Reported to Cabinet 18 January 2011

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, however, 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 2010), Ofwat Charges Report (February 2010), HM Treasury economic forecast (August 2010), Office of Budget Responsibility inflation forecast (August 2010), 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 and that certain costs, such as fuel, have been subject to significant price volatility in prior years. The position will continue to be monitored and if changes are necessary, these will be reported during the budget process.

	2011/12 %	2012/13 %	2013/14 %
General Inflation (CPI)	2.4	1.8	2.0
Pay Award	See note	1.0	1.0
Members Allowances (RPIX)	2.7	2.7	2.8
Energy	10.0	5.0	5.0
Water	4.0	4.0	3.7
Transport	4.0	5.0	2.0
Insurance	10.0	10.0	10.0
Building Repairs	5.0	5.0	5.0
Business Rates	1.4	1.4	1.4
Council Tax	0.0	0.0	0.0
Landfill Tax	14.3	12.5	11.1
Housing Rents	5.0	5.0	5.0
Interest Rates	0.8	1.3	1.5
Fees & Charges	2.4	1.8	2.0

Estimated Impact of Pay & Inflation Assumptions on the General Fund:

	2011/12 £000's	2012/13 £000's	2013/14 £000's
General	198.4	136.4	163.4
Pay Award	See note	206.4	212.1
Energy	73.1	37.3	35.7
Water	8.4	8.8	9.3
Transport	26.6	33.8	13.3
Insurance	38.1	37.9	39.1
Building Repairs	67.9	68.1	67.5
Business Rates	11.5	11.7	11.7
Landfill Tax	26.5	26.5	26.4
Fees & Charges	-142.1	-139.3	-148.7
TOTAL	308.4	427.6	429.8

*the figures above are on a non cumulative basis.

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

It has been assumed that there will be a flat £250 increase for employees earning less than £21K in 2011/12, and thereafter there will be a 1% pay rise in 2012/13 and a further 1% in 2013/14.

National Insurance

Based on bandings effective from 1 April 2011, NI is in the range 0% to 13.8% (average rate being 7.2%).

Superannuation

For 2011/12 to 2013/14 the rate payable is 20.6%.

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

Other general fees and charges have been linked to the CPI rate of inflation.