

2018/19 Budget – Inflation & Other Price Factors

Budget Council 28 February 2018

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

- Inclusion of all Council commitments to date;
- Exclusion of fixed term or one-off items of expenditure or income that “fall out” in each year;
- 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 2017), HM Treasury Economic Forecast (November 2017) 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.

	2018/19 %	2019/20 %	2020/21 %	2021/22 %
General Inflation (CPI)	2.6	2.2	2.2	2.2
Pay Award	2.7	3.4	2.0	2.0
Energy	0.0	0.0	9.7	8.8
Water	2.7	2.3	2.5	2.5
Transport	4.2	6	5.7	3.6
Insurance	10.0	10.0	10.0	10.0
Building Repairs	2.6	2.2	2.2	2.2
Business Rates	3.0	2.2	2.2	2.2
Landfill Tax	3.3	3.3	3.3	3.3
Fees & Charges	2.6	2.2	2.2	2.2

Estimated Impact of Pay & Inflation on the General Fund:

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
General Inflation (CPI)	174	342	488	642
Pay Award	468	1,060	1,615	2,057
Energy	0	0	60	114
Water	6	11	17	23
Transport	22	57	88	107
Insurance	66	132	197	262
Building Repairs	81	146	216	283
Business Rates	36	76	110	145
Landfill Tax	11	19	26	34
Fees & Charges	(273)	(521)	(772)	(1,021)
TOTAL	591	1,322	2,045	2,646

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

In addition to the net impact of inflation the Net Revenue Budget changes year on year for various factors, the key ones are set out below in the following table.

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Net Revenue Budget	16,204	▶ 16,664	▶ 18,318	▶ 19,344
Following Year's Budget Pressures:				
Employee Costs:				
Pay award, increments, restructures	493	365	511	} +65%
Pension Rate Increase / Deficit Recovery	0	609	61	
Capital Financing (MRP)	128	228	226	+19%
New Homes Bonus Grant	(158)	436	200	+15%
Investment Interest	(81)	(82)	-	} +1%
Other Net Changes (e.g. other net inflation)	78	98	28	
Total Net Increase	+460	+1,654	+1,026	+3,140
Following Year's Net Revenue Budget	16,664	18,318	19,344	

Information on other budget factors is given below:

Pay award

This has been based on the employers pay award offer (05 Dec 2017) for 2018/19 and 2019/20, and a flat rate 2% thereafter.

For 2018/19, the offer weights increases to the lower end of the pay scale, starting at an increase of 9.191% for Spinal Columns Point (SCP) 6 reducing to 3.734% by SCP 19. At point SCP 20 and above the increase is 2%.

For 2019/20 the proposal is to change the actual grade structure, as well as offering increases on a sliding scale from 6% to the lower end of the pay scale reducing to 2% at the upper end.

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 2018/19 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 onwards it is assumed the rate will revert to 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.