

**Budget Preparation Parameters**

The following key parameters have been reflected in the budget and medium-term projections.

**Table 1 – Budget parameters**

	<b>2024-2025 Forecast</b>	<b>2025-2026 Forecast</b>	<b>2026-2027 Forecast</b>
Council Tax Annual Increase (Council element)	2.99%	2.99%	2.99%
Growth in Council Tax Base	1.0%	1.0%	1.0%
Adult Social Care Precept (Council element)	2.0%	2.0%	2.0%
Pay Award	3.0%	2.0%	2.0%
Price Inflation (Gas)*	14.7%	5.0%	2.0%
Price Inflation (Electricity)*	16.4%	5.0%	2.0%
Price Inflation (Water)	13.4%	5.0%	2.0%
Price Inflation (NNDR)	6.7%	2.0%	2.0%
Borrowing Interest Rate	5.07%	4.30%	4.10%
Return on Investment	2.30%	1.60%	1.50%
NNDR Income Annual Increase	0.0%	0.0%	0.0%
Growth in NNDR Tax Base	0.0%	0.0%	0.0%

\*During 2023-2024, there has continued to be volatility in energy prices, resulting in increased gas and electricity costs for consumers. The original financial modelling undertaken to project the anticipated increases for 2023-2024, resulted in significant growth being incorporated into the 2023-2024 budget and MTFs. Financial modelling for 2024-2025 has resulted in assumptions of a 14.7% price increase in Gas before taking into account rebasing of previous growth and changes in consumption. Similarly, a 16.4% price increase assumption is included in Electricity for 2024-2025 before considering changes in previous growth and consumption for the budget.

### Sensitivity Analysis for 2024-2025

As detailed in the main report, whilst detailed financial modelling has been undertaken to accurately forecast the Council's medium term financial position, there remains a significant level of uncertainty in the sector. Changes in circumstances therefore could change the forecast budget deficit in any one year.

The table below provides a sensitivity analysis of the main uncertainties and risks which underpin this Budget and MTFs, setting out the potential impact if some of these main cost pressures vary to that currently projected.

**Table 2 – Sensitivity Analysis for 2024-2025**

Growth item	Current Assumptions	Improved scenario	£000	Worsened scenario	£000
Pay Award	3% pay award	Pay award is 2%	(1,800)	Pay award is 6%	5,400
Inflation - Utilities	Based on forecast energy consumption and estimate of price increase	Based on a reduction of 5% in gas, electricity and water rates compared to current assumptions	(364)	Based on an additional 5% increase in gas, electricity and water rates compared to current assumptions	364
Adult Social Care	Based on current assumptions in growth for demand and proposed fees	Reduction in forecast in demand of 20% for care packages	(580)	Increase in demand for care packages by 20%	580
Childrens Social Care	Based on current assumptions in growth for demand and cost of care packages	Reduction in residential care placements by 10% and placement costs static.	(1,030)	Residential care placement numbers and cost per placement both increase by 20%	2,473
Temporary accommodation	Based on projected usage and costs	Reduction on 5% on current demand for bed and breakfast accommodation	(565)	Increase based on highest demand month in 2023-2024 multiplied up over 12	1,093

Growth item	Current Assumptions	Improved scenario	£000	Worsened scenario	£000
				months for bed and breakfast accommodation	
Fleet Hire	Based on projected usage	Hire demand decrease of 3 Waste vehicles at an average of £40,000 p.a. and new Travel Unit contract efficiencies reduce overall spend by £200,000.	(320)	Hire demand increases by 4 vans at an average of £27,000 p.a.	108
Transportation	Based on demand known at the time for SEND pupils to be transported both within and outside the City. Mitigations to find most efficient options to transport.	A reduction of 10 pupils on single occupancy transport at an average of £305 per day for an academic year. The cost savings would be less for pupils on shared vehicles.	(595)	An Additional 10 pupils on single occupancy transport at an average of £305 per day for an academic year. The cost pressure would be less for pupils on shared vehicles.	595

The above tables gives an indication of the risk inherent within any local government budget, but particularly so at the current time when they are significant pressures in terms of adults and children's social care, homelessness and inflation.

The corporate resources have been confirmed for 2024-2025, however for every 1% change in 'core spending power' for futures years is equivalent to circa £3.2 million

This page is intentionally left blank