

### Budget Preparation Parameters

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

|   | 2023-2024<br>Forecast | 2024-2025<br>Forecast | 2025-2026<br>Forecast |
|---|-----------------------|-----------------------|-----------------------|
| Council Tax Annual Increase (Council element) | 2.99%                 | 1.99%                 | 1.99%                 |
| Growth in Council Tax Base                    | 1.0%                  | 1.0%                  | 1.0%                  |
| Adult Social Care Precept (Council element)   | 2.0%                  | 1.0%                  | 0.0%                  |
| Pay Award                                     | 5.0%                  | 2.0%                  | 2.0%                  |
| Price Inflation (Gas)*                        | 229.0%                | 6.7%                  | 6.2%                  |
| Price Inflation (Electricity)*                | 72.5%                 |                       |                       |
| Price Inflation (NNDR)                        | 0.0%                  | 2.0%                  | 2.0%                  |
| Borrowing Interest Rate (PWL 25 year rate)    | 4.5%                  | 3.9%                  | 3.5%                  |
| Return on Investment                          | 2.2%                  | 1.7%                  | 1.3%                  |
| NNDR Income Annual Increase**                 | 2.0%                  | 0.0%                  | 0.0%                  |
| Growth in NNDR Tax Base                       | 12.0%                 | 0.0%                  | 0.0%                  |

\* During 2022-2023, there has been significant increases in wholesale energy prices, resulting in increased gas and electricity costs for consumers. Financial modelling has been undertaken to project the anticipated increase for 2023-2024, which has resulted in significant growth being incorporated into the 2023-2024 budget and MTFS. The 229% budget increase in Gas for 2023-2024 derives from anticipated consumption compared to forecast wholesale industry price per kWh increase of 394%, up from 2.18p/kWh to 10.76p/kWh in 2022-2023 Quarter 3 briefing provided by ESPO for the period April 2023 to March 2024, with a forecast billing change year on year of between 250-300% increase. The 72.5% budget increase in Electricity for 2023-2024 derives from anticipated consumption compared to forecast wholesale industry price per kWh increases of 256% up from 6.04p/kWh to 21.51p/kWh in 2022-23 Quarter 3 briefing by ESPO for the period October 2022 to September 2023 and 41% up from 21.51p/kWh to 30.37p/kWh for the period October 2023 to September 2024 with a forecast billing change year on year of 100% and then subsequently 30-35%.

\*\* 2023 was subject to a revaluation which resulted in an increase of in the region of 12% for 2023-2024. However, it should be noted that the Council saw a reduction in the 'Top up' grant reduced as a result of this increase.

As detailed in report and Appendix 1, and whilst detailed financial modelling has been undertaken to forecast the pressures, due to uncertainties and external circumstances these could change, and any increase could impact on the forecast budget deficit. The table below provides a sensitivity analysis the potential impact if some of these main cost pressures vary to that currently projected:

| Growth item             | Current Assumptions  | Improved case assumption   | Worse case assumption |   |
|-------------------------|--|--|-----------------------|---|
|                         |  |  | £000                  | £000  |
| Pay Award               | 5% pay award   | Pay award is 4%  | (1,600)               | Pay award is 10%<br>8,000   |
| Inflation - Utilities   | Based on forecast energy consumption and estimate of price increase from independent energy market briefing (Q3 22/23) | Based on forecast energy consumption and reduced gas and electricity rates                             | (1,150)               | Forecast increase in energy consumption but at the<br>1,139                       |
| Adult Social Care       | Based on current assumptions in growth for demand and proposed fee uplift  | Reduction in forecast in demand for care packages  | (400)                 | Increase in demand for care packages<br>400                                       |
| Temporary accommodation | Based on projected usage and costs   | Reduction on 5% on current demand for bed and breakfast accommodation                                  | (520)                 | Increase on 5% on current demand for bed and breakfast accommodation<br>520       |
| Fleet Hire              | Based on projected usage   | Hire demand decrease<br>1 Waste vehicle at an average of £40,000 p.a. and 1 road sweeper at an average | (69)                  | Hire demand increases 5 Waste vehicles at an average of £40,000 p.a. and 5<br>345 |

| Growth item    | Current Assumptions  | Improved case assumption  |       | Worse case assumption   |     |
|----------------|--|---|-------|---|-----|
|                |  | cost of £29,000 per annum   |       | road sweepers at an average cost of £29,000 per annum                 |     |
| Transportation | Based on demand known at the time for additional SEND pupils both to be transported both within and outside the City. Mitigations to find most efficient options to transport. | Reduction in 10 pupils at an average £284 per day for an academic year. | (554) | Additional 10 pupils at an average £284 per day for an academic year. | 554 |

If the inflationary pressures as detailed in Appendix 1 did not materialise as currently projected for 2023-2024, and the above scenarios were to materialise it could result in a change to projected budget deficit. As detailed in the report, the current projected deficit over the medium is £23.1 million, the improved assumptions could result in reducing the budget deficit over the medium term between £69,000 to £4.3 million. Whereas the worst case assumptions could increase the projected budget deficit between £345,000 to £11.0 million.