

Overview and Scrutiny Committee 06 July 2023 Advance Questions

Agenda Item 4 – Medium Term Financial Plan 2024/25 to 2028/29

Question 1

(Page 71) The Medium Term Financial Plan states that, “the escalating rate of inflation remains a concern.” Despite a drop in energy prices, core inflation remains high, to what extent has the MTFP considered that inflation may be embedded in the economy and how will that impact this council’s spending power?

Written Answer

Potential impacts of inflation for budget-setting include:

- Increased expectation from staff and the representatives during annual pay negotiations and impacts of inflation-linked increases in the National Living Wage.
- Existing suppliers demanding significant increases to reflect their operating costs.
- Energy and fuel cost pressures.
- Cost of new building contracts higher than estimated.
- Suppliers and contractors being at risk of liquidation, potentially affecting delivery of services and increased business rate debt write-offs.
- Requirement to increase Council fees and charges that are linked to CPI.
- Higher than budgeted interest on balances but also increased cost of borrowing.
- Review of the Council tax referendum limit by Government and/or other measures introduced to mitigate the impacts of council tax for households.
- Review of the Business Rates (NNDR) Multiplier used by Government to set annual business rate increases.
- PWLB lending costs will continue to fluctuate because the lending rate is based on gilt yields.
- Revision of some of Government’s Spending Review21 baseline assumptions.

The MTFP forecasts do not include provision for general price inflation. Business cases for budget growth for specific contract price increases will be considered when the draft budget for 2024/25 is prepared in the autumn.