

Assumptions underlying our plan

The updated four year Financial Plan has been compiled as set out in Section 2 of the report. It includes the following assumptions

- **Pay** – 1 per cent pay award for all groups of employees, unless specifically noted as an exception. There is also an agreed assumption of no incremental increases in pay until at least 2014/15, although harmonisation will apply in certain cases and this has been accounted for in the relevant base budgets.
- **Demand** – Projections have been based on prior year trends and known or anticipated movement in 2013/14, specifically:
 - Demographic increases for older people of 2.88 per cent and for mental health older adults of 3.65 per cent in 2013/14 (based on the latest demographic data available)
 - Child care placements 55 placements (19,998 nights care) additional spread throughout the year
- **Inflation** – In general an inflation pressure of 2 per cent has been applied to costs unless there is specific evidence of higher/lower increases due to contractual commitments. Fuel and utility has been uplifted by 10%
- **Interest rates** – the cost of borrowing has been assumed at an average rate of 4.35 per cent; and investment income at an average of 0.5 per cent.

The assumptions around future years' figures are set out in the schedule below:

- Service Budgets have been rolled forward and reflect the future year impact of 2013/14 spending requirements and savings proposals as set out in this report. They also include pay award assumed at 1 per cent and 1 per cent per annum for 2013-15 respectively.
- A contingency for 2.5 per cent price inflation has been included based on likely contractual inflation commitments, subject to assumptions included in the Commissioning and procurement savings. So if procurement savings assume no inflation none has applied.
- Assumed 0 per cent increase in employer's superannuation rates for 2013/14 with a 1 per cent increase following the next triennial valuation of the fund in 2013. Recent proposals to change the Local Government Pension Scheme will impact on this assumption but at this time are uncertain. This will continue to be reassessed following national announcements.
- Costs of servicing existing debt and additional borrowing requirement reflect proposed future capital expenditure.
- The running costs arising from the capital schemes, including additional provision for campuses, highways, waste and broadband, have been accounted for based on current profiles within the capital programme
- Increase employer's national insurance rates from April 2013 as announced in 2011 budget report.
- Investment in transformation activity delivering improved outcomes and future year's savings.