

Review of Assumptions in the 2013/14 – 2016/17 Medium Term Financial Plan (MTFP)

Inflation

1. The table below sets out the inflation assumptions built into the current MTFP. These will need to be reviewed in agreeing the MTFP for 2014/15 to 2017/18.

Year	Pay	Non Pay	Contracts	In MTFP
2014/15	1.0%	0.0%	3.0%	£6.8m
2015/16	2.5%	2.0%	3.0%	£10.3m
2016/17	2.5%	2.0%	3.0%	£10.6m

2. In the 2013 Spending Round the Government announced that public sector pay rises will be limited to an average of 1% for 2015/16. CPI inflation was 2.8% in July 2013, down 0.1% from June 2013. The Bank of England continues to predict that it will fall back to 2% in the long run.

Previously Agreed Budget Changes

3. The MTFP includes savings, funding for demographic and other agreed pressures, and one-off pressures and savings which were approved by Council in February 2013.

Funding for demographic and other agreed pressures¹	2014/15 £m	2015/16 £m	2016/17 £m	Total £m
Children, Education & Families	-0.590			-0.590
Social & Community Services	7.192	2.800		9.992
Environment & Economy	1.778			1.778
Chief Executive's Office	-0.575			-0.575
Corporate	11.013	12.935	4.646	28.594
TOTAL	18.818	15.735	4.646	39.199

Savings	2014/15 £m	2015/16 £m	2016/17 £m	Total £m
Children, Education & Families	-3.252			-3.252
Social & Community Services	-11.129	-0.950	-1.950	-14.029
Environment & Economy	-6.634	-3.097	-1.875	-11.606
Chief Executive's Office	-0.213	-0.100	-0.100	-0.413
Corporate	-0.030	-0.727	-0.781	-1.538
TOTAL	-21.258	-4.874	-4.706	-30.838

One-Off Pressures and Savings¹	2014/15 £m	2015/16 £m	2016/17 £m	Total £m
Children, Education & Families				0
Social & Community Services	0.100	-0.400		-0.300
Environment & Economy	2.089	-1.989	-0.100	0
Chief Executive's Office				0
Corporate				0
TOTAL	2.189	-2.389	-0.100	-0.300

¹ Where a negative is shown the figure relates to previous years' funding falling out.

General Funding

4. The Council's general funding, other than from Council Tax (see below), comprises Revenue Support Grant, Business Rates Top-Up and Business Rates from District Councils (our local share). The MTFP assumes that Business Rates Top-Up and our local share of Business Rates both increase with inflation, whereas Revenue Support Grant (RSG) reduces over the medium term. For planning purposes, Revenue Support Grant estimates in the MTFP are based on indicative 2014/15 figures announced by the Government in February 2013, together with estimates for future years broadly consistent with the level of reductions seen in the 2010 Spending Review.
5. The following table shows the estimates for general funding (excluding Council Tax) included in the MTFP.

MTFP Estimates	2014/15	2015/16	2016/17
Business Rates Top-Up (£m)	36.789	37.782	38.954
Business Rates from District Councils (£m)	28.125	28.884	29.780
Business Rates Total (£m)	64.914	66.666	68.734
Percentage change from previous year	3.1%	2.7%	3.1%
Revenue Support Grant (£m)	81.539	69.243	58.512
Percentage change from previous year	-13.7%	-15.1%	-15.5%
Business Rates + RSG Total (£m)	146.453	135.909	127.246
Percentage change from previous year	-7.0%	-7.2%	-6.4%

Council Tax

6. The MTFP assumes Council Tax increases of 2.5% in 2014/15 and 3.75% in each of the following two years. A 1% change in council tax equates to £2.7m, with a small residual effect in subsequent years.

Taxbase

7. The MTFP assumes growth in the taxbase of 0.6% in 2014/15 and 0.75% in each of the following two years. A variation of +/-0.25% results in a gain/loss of £0.7m.