

Review of Assumptions in the Existing 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 2012/13 to 2016/17. The two year freeze on all public sector pay for 2011/12 and 2012/13, announced by the Chancellor in June 2010, means that no pay inflation provision is required until 2013/14.
2. CPI inflation is currently running at 4.4%, substantially above the government target of 2%. The Bank of England is projecting it to rise to 5% by the end of 2011 before falling back through 2012 and returning to target in 2013.

Year	Pay	Non Pay	Contracts	In MTFP
2012/13	0%	2.0%	3.0%	£6.1m
2013/14	2.5%	2.0%	3.0%	£10.2m
2014/15	2.5%	2.0%	3.0%	£10.3m
2015/16	2.5%	2.0%	3.0%	£10.3m

Previously Agreed Funding

3. £27.2m of pressures are built into the MTFP. These mostly relate to adults' demography and waste landfill tax/landfill allowance trading costs. The table below shows the amount of funding by directorate for each year of the MTFP.

	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000
Children, Education & Families	110	-493	210	0
Social & Community Services	5,698	3,790	5,041	0
Environment & Economy	5,770	4,856	2,138	0
Chief Executive's Office	51	50	0	0
TOTAL	11,629	8,203	7,389	0

Previously Agreed Savings

4. The table below shows the savings for each directorate that were agreed by Council on 15 February 2011.

	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000
Children, Education & Families	-6,145	-939	-1,197	0
Social & Community Services	-11,265	-4,356	-6,337	0
Environment & Economy	-8,646	-6,174	-3,746	0
Chief Executive's Office	-338	-219	10	0
TOTAL	-26,394	-11,688	-11,270	0

Formula Grant

5. The following table shows the expected amount and decreases of formula grant included in the MTFP.

	2012/13	2013/14	2014/15	2015/16
Estimated Formula Grant £000	108,245	98,491	89,566	89,566
% Decrease from previous year	-11.4%	-9.0%	-9.1%	0.0%

Council Tax

6. The MTFP includes Council Tax increases of 2.50% in 2012/13 and 3.75% thereafter. A 1% change in council tax equates to £2.9m.

Taxbase

7. The MTFP assumes growth in the taxbase of 0.75% each year. A variation of +/-0.25% results in a gain/loss of £0.725m.