

Review of Assumptions in the 2012/13 – 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 2013/14 to 2016/17.

Year	Pay	Non Pay	Contracts	In MTFP
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
2016/17	2.5%	2.0%	3.0%	£10.6m

2. CPI inflation was 2.6% in July 2012. The annual rate of increase is at its lowest since the end of 2009 and the Bank of England continues to predict that it will fall back to 2% in the long run. In his Autumn Statement, the Chancellor announced a 1% cap on public sector pay for 2013/14 and 2014/15. The reduced cost to the Council is expected to be offset by a reduction in Formula Grant funding.

Previously Agreed Budget Changes

3. The MTFP includes the final two years of the implementation of the Directorate Business Strategies. These were approved by Council in February 2011 and included savings of £119m from 2011/12 – 2014/15. Funding for demographic and other agreed pressures was also built in.

Funding for demographic and other agreed pressures¹	2013/14 £m	2014/15 £m
Children, Education & Families	-0.090	-0.590
Social & Community Services	4.700	5.710
Environment & Economy	4.962	1.328
Chief Executive's Office	0.056	-0.244
Cross Directorate	0.000	0.000
TOTAL	9.628	6.204

Savings	2013/14 £m	2014/15 £m
Children, Education & Families	-1.257	-1.072
Social & Community Services	-6.598	-7.116
Environment & Economy	-7.904	-3.903
Chief Executive's Office	-0.672	-0.188
Cross Directorate	-0.140	1.605
TOTAL	-16.571	-10.674

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

Formula Grant

4. The following table shows the estimated amount and decreases of formula grant included in the MTFP.

	2013/14	2014/15	2015/16	2016/17
Estimated Formula Grant £000	110,067	100,039	89,835	82,739
% Decrease from previous year	-4.5%	-9.1%	-10.2%	-7.9%

The Government's current Spending Review runs to 2014/15. The next Spending Review is not due until 2014 however the Government has indicated that it may need to make further expenditure savings in future years. It is not yet clear how this will impact on local government in general or the County Council in particular. For planning purposes, reductions in Formula Grant for 2015/16 and 2016/17 have been estimated based on national spending figures announced in November 2011.

Council Tax

5. The MTFP assumes Council Tax increases of 3.75% in 2013/14 and each of the following years. A 1% change in council tax equates to £2.9m.

Taxbase

6. The MTFP assumes growth in the taxbase of 0.75% each year. A variation of +/-0.25% results in a gain/loss of £0.712m.