

## Review of Assumptions in the 2019/20 – 2021/22 Medium Term Financial Plan (MTFP)

### *Inflation*

1. The table below sets out the inflation assumptions built into the current MTFP.

Year	Pay	Prices	Contracts (up to)	Income	In MTFP
2019/20	2%	0%	3%	2%	£5.700m
2020/21	2.5%	0%	3%	2%	£6.000m
2021/22	2.5%	0%	3%	2%	£6.000m

2. On 10 April 2018 a two-year National Employers pay award was agreed consisting of a 2% increase in both 2018/19 and 2019/20, with a higher increase for those on lower pay points to reflect the increase in the National Living Wage. Beyond 2019/20, pay inflation is included in the proposed MTFP at 2.5%. The 2017/18 and 2018/19 pay award for Firefighters continues to be negotiated. An allowance of £0.6m is held in the Corporate Contingency budget pending a decision.
3. Consumer Price Inflation (CPI) was 2.5% in July 2018, down slightly from 2.6% in July 2017. The Bank of England forecast CPI<sup>1</sup> inflation to settle just above the 2% target until 2020 as it gradually increases interest rates. Retail Price Inflation (RPI) was 3.2% in July 2018.

### *Previously Agreed Directorate Budget Changes*

4. The MTFP includes funding for demographic and other agreed directorate pressures and savings which were approved by Council in February 2018. Details are set out in annex 1a.

Pressures, Improvements & Investments	2019/20	2020/21	2021/22	Total
	£000	£000	£000	£000
<b>Directorate</b>				
People - Children's Services	1,851	1,502	1,527	4,880
People - Adult Services	1,819	7,900	5,576	15,295
People - Public Health	0	0	0	0
Communities	18	-2,199	-500	-2,681
Resources	388	120	0	508
<b>Total Previously Agreed Pressures, Improvements &amp; Investments</b>	<b>4,076</b>	<b>7,323</b>	<b>6,603</b>	<b>18,002</b>

<sup>1</sup> Bank of England Inflation Report August 2018

<b>Savings</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Directorates</b>				
People - Children's Services	-5,455	-2,670	0	-8,125
People - Adult Services	-1,340	-107	-325	-1,772
People - Public Health	250	0	250	500
Communities	-719	2,130	-250	1,161
Resources	-466	-87	0	-553
Transformation Programme	-10,000	-4,200	-3,200	-17,400
<b>Total Previously Agreed Savings</b>	<b>-17,730</b>	<b>-4,934</b>	<b>-3,525</b>	<b>-26,189</b>

### *Balances and Reserves*

- The MTFP assumes general balances at the start of 2019/20 will be £16.3m and maintained at that level over the medium term. In the Business Management & Monitoring report, general balances are forecast to be £25m at the end of this financial year, after taking into account the forecast underspend of £0.3m (after the use of corporate contingency) and the potential use of £1.1m relating to school transfers to academy status.
- The table below sets out the estimates for earmarked reserves included in the MTFP.

	Forecast Balance at 31 March 2019	Forecast Balance at 31 March 2020	Forecast Balance at 31 March 2021	Forecast Balance at 31 March 2022
	£m	£m	£m	£m
Schools' Reserves	8.544	6.239	3.928	2.178
Vehicle and Equipment Reserve	0.789	0.587	0.927	0.927
Grants and Contributions Reserve	5.433	5.433	5.433	5.433
Government Initiatives	0.000	0.000	0.000	0.000
Trading Accounts	0.072	0.072	0.072	0.072
Council Elections	0.218	0.436	0.654	0.000
OxLEP	0.199	0.199	0.199	0.199
On Street Car Parking	3.176	3.176	3.176	3.176
Transformation Reserve	0.350	0.000	0.000	0.000
Budget Prioritisation Reserve	4.761	4.137	8.807	10.382
Insurance Reserve	6.080	6.180	6.280	6.380
Business Rates Reserve	0.522	1.016	1.510	2.004
Capital Reserves	33.374	33.389	27.515	9.481
Budget Equalisation Reserve	0.280	5.907	11.032	15.476
<b>Total Reserves</b>	<b>63.798</b>	<b>66.771</b>	<b>69.533</b>	<b>55.708</b>
<b>Total Reserves excluding Schools</b>	<b>55.254</b>	<b>60.532</b>	<b>65.605</b>	<b>53.530</b>

7. The Budget Equalisation Reserve is used to manage the cash flow implications arising from a different profile of pressures and savings in the MTFP. It is forecast to have a balance of £0.3m at the end of 2018/19 and a planned contribution to the reserve of £5.6m in 2019/20. This gives a balance of £5.9m that could be used as one-off funding in 2019/20.
8. Earmarked reserves at the start of 2018/19 were £18.9m higher than assumed in the MTFP. The latest forecast (reported to Cabinet on 17 July 2018) indicates that earmarked reserves will fall to £73.7m by the end of this financial year.

### *General Funding*

9. The Council's general funding, other than from Council Tax (see below), comprises Revenue Support Grant, Business Rates Top-Up and a 10% share of Business Rates collected by the District Councils. The MTFP assumes that our local share of Business Rates increases with inflation (Consumer Price Index). Revenue Support Grant and Business Rate Top Up estimates for 2019/20 are based on the figures published in Oxfordshire's four-year funding deal for the years 2016/17 to 2019/20.
10. The following table shows the estimates for general funding (excluding Council Tax) included in the MTFP.

<b>MTFP Estimates</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Business Rates Top-Up (£m)	33.629	34.217	34.861
Business Rates from District Councils (£m)	34.098	30.439	30.975
Business Rates Total (£m)	67.727	64.656	65.836
Percentage change from previous year	-6.2%	-4.5%	1.8%
Revenue Support Grant (£m)	0.000	0.000	0.000
Percentage change from previous year	-100.0%	0.0%	0.0%
<b>Total Business Rates + RSG (£m)</b>	<b>67.727</b>	<b>64.656</b>	<b>65.836</b>
<b>Percentage change from previous year</b>	<b>-13.3%</b>	<b>-4.5%</b>	<b>+1.8%</b>

### *Council Tax*

11. The MTFP is based on Council Tax increases of 2.99% in 2019/20 and 1.99% in 2020/21 and 2021/22. There will not be an additional charge for Adult Social Care in 2019/20 as we increased the precept by the maximum of 6% across 2017/18 and 2018/19. A 1% change in Council Tax equates to £3.3m, with a small residual effect in subsequent years.
12. The MTFP assumes growth in the taxbase of 2.0% in 2019/20 and beyond. A variation of +/-0.25% results in a gain/loss of £0.9m.
13. Surpluses on Council Tax collection are estimated to be £4.5m in each remaining year of the MTFP. This is based on previous years' surpluses that have been above that level in the last five years. In 2018/19 the Council Tax collection surpluses are £5.3m.
14. The table below sets out the estimates for Council Tax included in the MTFP.

<b>MTFP Estimates</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Council Tax Requirement (£m)	369.821	384.724	400.230
Council Tax Base	251,778	256,831	261,949
Council Tax (Band D equivalent) (£)	1,468.84	1,498.07	1,527.89
Increase in Council Tax (Band D)	2.99%	1.99%	1.99%
Council Tax collection surpluses (£m)	4.500	4.500	4.500
<b>Total Council Tax Income (£m)</b>	<b>374.321</b>	<b>389.224</b>	<b>404.730</b>
<b>Percentage change from previous year</b>	<b>4.8%</b>	<b>4.0%</b>	<b>4.0%</b>