

## Review of Assumptions in the 2016/17 – 2017/18 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
2016/17	2.5%	0.0%	3.0%	2.0%	£7.300m
2017/18	2.5%	0.0%	3.0%	2.0%	£7.400m

2. Oxfordshire entered into a local agreement on staff pay awards<sup>1</sup> with Unison in 2014. For the first two years the agreement bound the council to pay an equivalent annual pay award to the national agreement. In 2016/17, the third year of the agreement, the linkage to the national award no longer applies. The proposed pay award for 2016/17 to 2018/19 will be presented to the Remuneration Committee for consideration in October 2015.
3. Consumer Price Inflation (CPI) was 0.1% in July 2015, up from 0% in June 2015. The Office for Budget Responsibility forecast CPI<sup>2</sup> inflation to be below target in 2015, returning gradually to 2% in 2020. Retail Price Inflation (RPI), was 1.0% in June and July 2015.

### *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 2015. Details are set out in annex 1b.

Funding for demographic and other agreed pressures <sup>3</sup>	2016/17 £m	2017/18 £m	Total £m
Children, Education & Families	0.420	0.238	0.658
S&CS – Adult Social Care	3.765	4.250	10.715
S&CS – Fire & Rescue Service and Community Safety	0.700	0.050	0.750
Environment & Economy	0.928	-1.192	-0.264
Chief Executive's Office			0
Public Health			0
<b>TOTAL</b>	<b>5.813</b>	<b>3.346</b>	<b>9.159</b>

<sup>1</sup> The agreement covers employees who were previously employed under the National Agreement on Pay and Conditions of Service for Local Government Services (the Green Book)

<sup>2</sup> Published in the Budget 2015

<sup>3</sup> Where a negative is shown the figure relates to previous years' funding falling out.

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Savings	2016/17 £m	2017/18 £m	Total £m
Children, Education & Families	-4.620	-3.238	-7.858
S&CS – Adult Social Care	-8.290	-8.750	-19.740
S&CS – Fire & Rescue Service and Community Safety	-1.085	-0.456	-1.541
Environment & Economy	-4.911	-6.084	-10.995
Chief Executive's Office	-0.181	-0.278	-0.459
Public Health	-1.250	-1.250	-2.500
<b>TOTAL</b>	<b>-20.337</b>	<b>-20.056</b>	<b>-40.093</b>

5. In addition there are £6.028m of corporate savings over the same period, mainly through reduced inflation provision.

### *Balances and Reserves*

6. The MTFP assumes general balances at the start of 2016/17 will be £17.5m and maintained at that level over the medium term. In the first financial monitoring report to Cabinet for 2015/16 on 21 July 2015, general balances are forecast to be £13.9m at the end of this financial year, after taking into account the £5.6m forecast overspend. There is a contingency of £3.5m being held in 2015/16 to offset unexpected pressures, if this is used to meet part of the forecast overspend, balances will be £17.4m at the end of this financial year.
7. The table below sets out the estimates for earmarked reserves included in the MTFP.

MTFP Estimates	2016/17 £m	2017/18 £m
Estimated school reserves at start of year	7.6	4.5
Estimated reserves at start of year	42.5	30.6
<b>Estimated total reserves at start of year</b>	<b>50.1</b>	<b>35.1</b>
Estimated use of (-)/additions to (+) school reserves in year	-3.1	-2.4
Estimated use of (-)/additions to (+) reserves in year	-11.9	5.7
Estimated school reserves at end of year	4.5	2.1
Estimated reserves at end of year	30.6	36.3
<b>Estimated total reserves at end of year</b>	<b>35.1</b>	<b>38.4</b>

8. The Budget Reserve is being used to manage the cash flow implications arising from a different profile of pressures and savings in the MTFP. The Reserve is forecast to go into £5.0m deficit in 2016/17, before returning to a £2.0m surplus position in 2017/18. Temporary use of other reserves or other balances, such as developer contributions, may be needed to manage the cash flow position, as the Council cannot hold a deficit reserve. Any temporary use of other reserves or other balances would need to be replaced in a subsequent year.
9. Earmarked reserves at the start of 2015/16 were £23.8m higher than assumed in the MTFP, with the largest differences relating to school reserves

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(£7.0m) and the grants and contributions reserve (£5.9m), the latter primarily relating to an increased underspend on the Dedicated Schools Grant. The latest forecast (reported to Cabinet on 21 July 2015) indicates that earmarked reserves will fall to £100.0m by the end of this financial year.

### *General Funding*

10. 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 Business Rates Top-Up and our local share of Business Rates both increase with inflation (Retail Price Index), whereas Revenue Support Grant (RSG) reduces over the medium term. For planning purposes, Revenue Support Grant estimates for 2016/17 and 2017/18 are broadly consistent with the level of funding reductions seen over the last few years.
11. The following table shows the estimates for general funding (excluding Council Tax) included in the MTFP.

<b>MTFP Estimates</b>	<b>2016/17</b>	<b>2017/18</b>
Business Rates Top-Up (£m)	37.901	39.000
Business Rates from District Councils (£m)	31.001	31.900
Business Rates Total (£m)	68.902	70.900
Percentage change from previous year	2.2%	2.9%
Revenue Support Grant (£m)	49.844	39.875
Percentage change from previous year	-20.0%	-20.0%
<b>Total Business Rates + RSG (£m)</b>	<b>118.746</b>	<b>110.775</b>
<b>Percentage change from previous year</b>	<b>-8.5%</b>	<b>-6.7%</b>

### *Council Tax*

12. The MTFP is based on Council Tax increases of 3.0% in 2016/17 and 2017/18. A 1% change in Council Tax equates to £2.9m, with a small residual effect in subsequent years.
13. The MTFP assumes growth in the taxbase of 1.0% in each of the remaining two years of the MTFP. A variation of +/-0.25% results in a gain/loss of £0.7m.
14. Surpluses on Council Tax collection are estimated to be £3.0m in each remaining year of the MTFP. This is based on a prudent position, reflecting that previous years' surpluses were above that level in the last five years. In 2015/16 the estimated Council Tax collection surpluses were £7.5m.
15. The table below sets out the estimates for Council Tax included in the MTFP.

<b>MTFP Estimates</b>	<b>2016/17</b>	<b>2017/18</b>
Council Tax Requirement (£m)	299.870	311.955
Council Tax Base	236,223	238,585
Council Tax (Band D equivalent) (£)	1,269.44	1,307.52
Increase in Council Tax (Band D)	3.00%	3.00%
Council Tax collection surpluses (£m)	3.000	3.000
Percentage change from previous year	-60%	0%
<b>Total Council Tax Income (£m)</b>	<b>302.870</b>	<b>314.955</b>
<b>Percentage change from previous year</b>	<b>2.4%</b>	<b>4.0%</b>