

ESSENTIAL REFERENCE PAPER E

Planning assumptions for August MTFP update

Planning assumptions will be based on most recent published forecast/assumptions of the Office of Budget Responsibility, the Bank of England, OECD and HM Treasury. An explanation will be given for variations from these published figures.

Factor	Note	2012/13	2013/14	2014/15	2015/16
Pay settlement	1	0% over £21k Up to £250 below £21k	3.1%	3.3%	3.4%
Pay allowance for "drift" arising from regradings, increments and local award	2	1.25%	1.0%	0.75%	0.75%
Members allowances	3	IRP awaited	IRP awaited	IRP awaited	IRP awaited
Return on investments	4	2.7%	3.4%	4.0%	4.4%
Price inflation	5	3.0 %	3.2%	2.7%	2.7%
Economic growth	6	2.7%	2.9%	2.9%	2.8%
Council tax base	7	0.25%	0.25%	0.30%	0.30%
Employers Pension Contributions	8	nil	nil	+1%	+1% (2% compound)
Council tax collection rate	9	98.65%	98.65%	98.75%	98.75%
Vacancy rate	10	3%	3%	3%	3%

Notes

1. Based on Local Government Employers following HMT guidance 2011 and 2012 then 2% below OBR table 4.3 Economic and Fiscal Outlook (March 2011) of whole economy whole earnings growth. The lower forecast is in anticipation of the policy of relative public sector pay restraint continuing. The implication of the assumptions is that after 3 years of a pay freeze pay would be in line with price inflation with real earnings growth in the to subsequent years.

2. Assumes continuing impact of full local award to 2013; thereafter reducing as pay constraints continue. Savings from T & C review to be phased in to offset settlement figures not included here.
3. Subject to IRP recommendations and Council decisions.
4. As OBR table 4.3 (March 2011) – “Market short term interest rates.
5. As OBR table 4.3 (March 2011) “GDP deflator” +0.5% in each of 2012/13 and 2013/14 based on near term risks BoE Inflation Report May 2011
6. As OBR table 4.3 (march 2011) – “Real GDP”
7. At trend rate
8. Pending triennial review results November 2013;
9. Assumes continued collection rate fall off to 2013/14. Rate for 2010/11 set at 98.75%.

Pay bill to be calculated at 97% of full establishment.