

5.4 Notes on Medium Term Financial Plan

- Year 1 (2012/13): This is the year for which the budget is being proposed. It is balanced with a total spending requirement of £12.874m financed from a combination of formula grant, council tax and council tax freeze grant. Inflation is assumed to make up £229k of that expenditure.
- Year 2 (2013/14): In this year, formula grant is forecast to reduce by only 1.2%, showing a reduction in formula grant to £4.036m, but an increase of 2.5% in council tax. Inflation is assumed to be the same as the previous year, with the addition of a 1% average pay rise on payroll. However, although some savings are currently forecast, this is not enough to close the gap of £371k.
- Year 3 (2014/15): In this year, formula grant is forecast to reduce by only 7.6%. Inflationary pressures adds a further £336k to expenditure, and savings are yet to be identified to compensate this. In addition, Council tax is forecast to rise by another 2.5%. The net result is a forecast deficit of some £865k, being an additional £494k over the 2013/14 deficit of £371k.
- Year 4 (2015/16): This is obviously the weakest year to forecast given that it starts in some 42 months time, and is beyond the scope of the current spending review timeframe. Much will have changed by this time so the projections must be treated with caution. However, given what we know at this time, further savings will need to be identified to balance inflationary pressures of some £336k and grant could be reduced even if tax rises by 2.5% again. The result could be a deficit of £1,165k, being an additional £300k over and above the 2014/15 deficit position, leading to either reductions in expenditure or a tax increase beyond 2.5%.