

MEDIUM TERM FINANCIAL STRATEGY ASSUMPTIONS

Financial Model

Key assumptions are as follow, those shown in **yellow** have been changed for the Draft 2021/22 budget:

Income

Source	Description	Upside Scenario	Central Scenario	Downside Scenario
Scottish Government Revenue Grant	Combined grant income from General Revenue Grant and Non-Domestic Rates.	Year 1-7 0%	Year 1 SG Settlement Finance Circular 1/2021 Year 2-7 -1%	Year 1 -3% Year 2-7 -2%
Council Tax	Increasing the rate is a council decision made at budget setting time, the Band D rate has therefore not been increased in any scenario, i.e. it remains based on 2020/21 value. The budget decision will provide a solution to address the scenarios. Grant funding has been offered to freeze council tax levels in 2021/22, equivalent to 3.26%			
Council Tax	Tax base increase from additional chargeable properties.	Year 1-7 total 6,969 properties	Year 1-7 total 5,283 properties	Year 1-7 total 2,700 properties
Fees, Charges and Other Income	External income raised from customers. Approval for rate increases is a council decision, therefore rates charged in 2020/21 have continued to be applied to each scenario. The budget decision will provide a solution to address the scenarios.			
Fees, Charges and Other Income	External income changes due to Covid-19 impact	Year 1 £1.9m loss & return to current by year 3	Year 1 £2.7m loss & return to current by year 5 Savings proposals include some fee/charge increases	Year 1 £9.2m loss & return to current not achieved by year 7

Expenditure (percentages are shown in cash terms)

Source	Description	Upside Scenario	Central Scenario	Downside Scenario
Inflation	Pay Pension	Year 1-7 1% annually	Year 1 SG Public Pay Policy 3%<25k; 1%<80k; 800>80k Year 2-3 3% ; Year 4-7 2% Year 4-7 2% (Teachers) Year 1-3 Non-teaching staff reduction in employer rate to 17.9%	Year 1-3 3% ; Year 4-7 2.5% Year 4-7 3% (Teachers)
Inflation	Price – including contracts, grants and ALEOs	Between 0.5% and 1.25%	Between 1.25% and 2.5% Year 1 NDR poundage reduced to 49p/£1RV per Scottish Budget published	Between 1.25% and 3%
Inflation	Utilities, including Gas, Electric, Heating Oil, Water	Gas -1% Electricity 2.5%	Gas 0% Electricity 5.7%	Gas 5% Electricity 9%
Population Demand	Children, schools impact	Year 1-7 £7.1m increase		
Covid-19 Demand	Council Tax Bad Debt	Year 1 £1.7m increase & return to current by year 3	Year 1 £1.7m increase & return to current by year 4	Year 1 £2.6m increase & return to current by year 6
Covid-19 Demand	Increased Contingencies	Year 1 £1m Year 2 £0.5m Year 3-7 £0	Year 1 £1m Year 2 £0.5m Year 3-7 £0	Year 1 £1m Year 2 £0.5m Year 3-7 £0
Capital Investment Demand	Capital Financing	Year 1 10% Year 2 -3% Year 3-7 -4%	Year 1 reprofiled based on 2020/21 spending and accounting treatment Year 2 -1% Year 3-7 -2%	Year 1 10% Year 2 0% Year 3-7 2%