

## MEDIUM TERM FINANCIAL STRATEGY ASSUMPTIONS

### Financial Model

Key assumptions are as follow, those shown in **yellow** have been changed, since the MTFS 2021 was approved in November 2021, for the Draft 2022/23 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 0% Year 2-7 0.5%	Year 1 per SG Settlement FC9/21 plus additional funding announced. 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, The budget decision will provide a solution to address the scenarios. It is expected that Council Tax income will be increased in 2022/23 based on either a grant to freeze Council Tax at current levels or to increase the rate by 3.3%.			
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 2021/22 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 £6.2 loss & return to current by year 5	Year 1 £9.2m loss & return to current not achieved by year 7
One-off funding streams	2021/22 Budget made use of Balance Sheet resources and one-off funding streams these must be replaced as they are non-recurring. Assumption for 2022/23 only, £12.1m			

**Expenditure** (percentages are shown in cash terms)

Source	Description	Upside Scenario	Central Scenario	Downside Scenario
Inflation	Pay	Year 1-7 <b>1%</b> annually	Year 1 <b>2%</b> ; Year 2-7 <b>2.58% avg.</b> Year 2-7 <b>3% avg.</b> (Teachers)	Year 1-3 <b>3%</b> ; Year 4-7 <b>2.5%</b> Year 4-7 <b>3%</b> (Teachers)
Government Policy	National Insurance	Year 1-7 <b>9%</b>	Year 1-7 <b>9%</b>	Year 1-7 <b>9%</b>
Inflation	Price – including contracts, grants and ALEOs	Between <b>0%</b> and <b>1.25%</b>	Between <b>0%</b> and <b>2.5%</b>	Between <b>1.25%</b> and <b>3%</b>
Inflation	Utilities, including Gas, Electric, Heating Oil, Water	Gas <b>-1%</b> Electricity <b>2.5%</b>	Gas <b>0%</b> Electricity <b>5.7%</b>	Gas <b>5%</b> Electricity <b>9%</b>
Population Demand	Children, schools impact	Total Year 1-7 <b>£8.1m</b> increase		
Covid-19 Demand	Council Tax Bad Debt	Year 1 <b>£1.7m</b> increase & return to current by year 3	Year 1 <b>£1.7m</b> increase & return to current by year 4	Year 1 <b>£2.6m</b> increase & return to current by year 6
Covid-19 Demand	Increased Contingencies	Year 1 <b>£1m</b> Year 2 <b>£0.5m</b> Year 3-7 <b>£0</b>	Year 1 <b>£1m</b> Year 2 <b>£0.5m</b> Year 3-7 <b>£0</b>	Year 1 <b>£1m</b> Year 2 <b>£0.5m</b> Year 3-7 <b>£0</b>
Capital Investment Demand	Capital Financing	Year 1 <b>2%</b> Year 2 <b>-3%</b> Year 3-7 <b>-4%</b>	Year 1 <b>2%</b> Year 2 <b>16.4%</b> Year 3-4 <b>4%</b> Year 5-7 <b>-1% avg.</b>	Year 1 <b>10%</b> Year 2 <b>10%</b> Year 3-7 <b>2%</b>