

MEDIUM TERM FINANCIAL STRATEGY ASSUMPTIONS

Financial Model

Key assumptions are as follow, those shown in **yellow** have been changed, since the MTFS 2022 was approved in August 2022, for the Draft 2023/24 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 0.5% Year 2-5 0.5%	Year 1 per SG Settlement FC11/2022 Year 2-3 -0.1% Year 4-5 1.0%	Year 1 -0.2% Year 2-5 -0.2%
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 2023/24 to reflect a real terms increase, historically this has been c.3.3%. Consideration should be given revising the ceiling on Council Tax due to the rising cost of services and inflation in pay and prices that cannot be absorbed by the Council indefinitely.			
Council Tax	Tax base increase from additional chargeable properties.	Year 1-5 total 4,250 properties	Year 1-5 total 3,845 properties	Year 1-5 total 3,000 properties
Fees, Charges and Other Income	External income raised from customers. Approval for rate increases is a council decision, therefore rates charged in 2022/23 have continued to be applied to each scenario. The budget decision will provide a solution to address the scenarios. Similar to Council Tax, careful consideration of the full cost recovery, the impact that inflation is having on the cost of delivering chargeable services must be taken into account when setting annual charges across the MTFS period.			
Fees, Charges and Other Income	External income changes due to Covid-19 impact	Year 1 £0.5m loss & return to current by year 2	Year 1 £1.5 loss & return to current by year 3	Year 1 £2.5 loss & return to current by year 5
One-off funding streams	2022/23 Budget made use of Balance Sheet resources and one-off funding streams these must be replaced as they are non-recurring. Assumption for 2023/24 only, £19.4m.			

Expenditure (percentages are shown in cash terms)

Source	Description	Upside Scenario	Central Scenario	Downside Scenario
Inflation	Pay	Year 1-5 2% Pay award funded by SG grant if greater than assumptions	Year 1-3 3% ; Year 4-5 2% Pay award funded by SG grant if greater than assumptions	Year 1-4 3.5% ; Year 5 2.5% Pay award funded by SG grant if greater than assumptions
Government Policy	National Insurance	Year 1-5 0% No further increases beyond 2022/23	Year 1-5 0% No further increases beyond 2022/23	Year 1-5 0% No further increases beyond 2022/23
Inflation	Price – including contracts, grants and ALEOs	Between 0% and 2.5% p.a.	Between 0.25% and 6% p.a.	Between 2.25% and 9% p.a.
Inflation	Utilities, including Gas, Electric, Heating Oil, Water	Gas 10% Electricity 2.5%	Gas 40% Electricity 5.7%	Gas 60% Electricity 9%
Population Demand	Children, schools impact	Total Year 1-5 £5m increase		
Capital Investment Demand	Capital Financing Note: Year 1 is affected by the one-off deferral of debt which makes the 2022/23 base £7.5m lower than would otherwise be the case.	Year 1 12% (3%) Year 2 6% Year 3-5 -2%	Year 1 19% (10%) Year 2-3 4% Year 4 1% Year 5 -1%	Year 1 25% (16%) Year 2 10% Year 3-5 4%