

MEDIUM TERM FINANCIAL STRATEGY ASSUMPTIONS

Financial Model

Key assumptions are as follow, those shown in **yellow** have been changed, since the MTFS 2023 was approved in August 2023, for the Draft 2024/25 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 1.6% Year 2-5 0.5-1.5% | Year 1 per SG Settlement FC08/2023 Year 2 -0.1% Year 3-5 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 2024/25 to reflect a real terms increase, and while there is no imposed Council Tax cap now applied to the rate by Scottish Government, this support the funding of the rising cost of services and inflation in pay and prices that cannot be absorbed by the Council. As a part of the Scottish Budget for 2024/25, there is an offer of funding from the Scottish Government in exchange for freezing Council Tax in 2024/25. In isolation, the value of funding is equivalent to 5% of the current Council Tax income budget, c.£7m. | | | |
| Council Tax | Tax base increase from additional chargeable properties. | Year 1-5 total 4,250 properties | Year 1-5 total 3,345 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 2023/24 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 economic conditions. | Year 1 £2m loss & return to current by year 4 | Year 1 £4.2m loss & return to current over 6 years | Year 1 £6m loss & return to current over 8 years |
| One-off funding streams | General assumption is for no use of one-off funding streams over the medium term. Ongoing use of the Service Concession flexibility from financial year 2023/24 onwards will technically continue the 'Use of Reserves' annually which would normally be seen as a one-off source of funding. The Service Concession entries will, until 2041/42, benefit the General Fund, however from then until 2076/77 there will be a 'Contribution to Reserves' made annually. | | | |

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 1-2 3% ; Year 3-5 2% Pay award funded by SG grant if greater than assumptions | Year 1-4 4% ; Year 5 2.5% Pay award funded by SG grant if greater than assumptions |
| Local Policy | Employer Pension Contributions - LGPS | Year 1 17.9% rate reduction to 10.5% Year 2-5 no changes | Year 1 17.9% rate reduction to 10.5% Year 2-5 no changes | Year 1 17.9% rate reduction to 10.5% Year 2-3 no changes Year 4-5 inc. rate by 2.5% |
| Government Policy | Employer Pension Contributions - Teachers | Year 1 23% rate increase to 26% Funded by UK/SG funding Year 2-5 no unfunded changes | Year 1 23% rate increase to 26% Funded by UK/SG funding Year 2-5 no unfunded changes | Year 1 23% rate increase to 26% Funded by UK/SG funding Year 2-5 no unfunded changes |
| Government Policy | National Insurance | Year 1-5 0% No further increases beyond 2023/24 | Year 1-5 0% No further increases beyond 2023/24 | Year 1-5 0.5% Reintroduce increases following reversal in 2022/23 |
| Inflation | Price – including contracts, grants and ALEOs | Between 0% and 2.5% p.a. | Between 1.25% and 6% p.a. | Between 3% and 9% p.a. |
| Inflation | Utilities, including Gas, Electric, Heating Oil, Water | Gas 0% Electricity 2.5% | Gas 10% falling to 1% Electricity 10% falling to 5.7% | Gas 15% falling to 5% Electricity 15% falling to 8% |
| Population Demand | Children, schools impact | School roll slower | Total Year 1-5 £5m increase | School roll increases |
| Capital Investment Demand | Capital Financing | Year 1 2.5% Year 2 3% Year 3 3% Year 4 3% Year 5 0.5% | Year 1 7% Year 2 4% Year 3 11% Year 4 9% Year 5 1.7% | Year 1 10% Year 2 7% Year 3 14% Year 4 10% Year 5 5% |
| Capital Investment – Local Policy | Loans Fund Repayment | | Asset Useful Life = Average 40 years; and | |

APPENDIX 12

| | | | | |
|--|--|--|-------------------------------|--|
| | | | Interest Rate = Average 5% | |
|--|--|--|-------------------------------|--|