

**Aberdeen City Council
Budget 2025/26**

MEDIUM TERM FINANCIAL STRATEGY 2024, ASSUMPTIONS

Financial Model

Key assumptions, updated where necessary, are as follows:

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 0.0% Year 2 0.0% Year 3-5 0.0%	Year 1 -0.2% Year 2-5 -0.2%
Scottish Government Revenue Grant	The budget model has been updated to take account of the details included in the 2025/26 Local Government Settlement, and how it specifically affects Aberdeen City Council. This has produced an income stream for 2025/26 that is higher than 'flat cash' assumed in the MTFs. The additional funding that has been applied is c.£8.9m.			
Scottish Government Revenue Grant	An assumption has been made that the Scottish Government will fully fund the increased cost of Employer's National Insurance from the start of 2025/26. The report includes reference to the very recent announcement from the Cabinet Secretary for Finance that the funding to be provided in 2025/26 is approximately 60% of what is required to fund the cost of employer NIC for directly employed staff. This increases the budget gap for 2025/26 by £3m, to £15.553m.			
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 2025/26 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.			
Council Tax	Tax base increase from additional chargeable properties.	Year 1-5 total 3,250 properties	Year 1-5 total 2,845 properties	Year 1-5 total 2,000 properties
Fees, Charges and Other Income	External income raised from customers. Approval for rate increases is a council decision, therefore rates charged in 2024/25 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 1-5 Additional £2.5m	Year 1 Stable income	Year 1 £6m loss & return to current over 8 years
One-off funding streams	2023/24 Budget made use of Balance Sheet resources and one-off funding streams these must be replaced as they are non-recurring. Assumption for 2024/25 only, £5.5m.			

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 4% ; Year 5 2.5% Pay award funded by SG grant if greater than assumptions
Government Policy	National Insurance	Year 1-5 0%, beyond additional note below	Year 1-5 0% beyond additional note below	Year 1-5 0.5% beyond additional note below
Government Policy	National Insurance	<p>The original MTFS assumptions were for no / limited change to Employer's National Insurance, which had to be reassessed following the UK Budget in October 2024.</p> <p>From the start of 2025/26, the rate at which employers pay NI will increase by 1.2 percentage points to 15%, and the threshold at which employers start paying that rate will drop by £4,100 to £5,000 a year.</p> <p>This cost pressure has been calculated as being £7.5m for the Council's General Fund.</p>		
Inflation	Price – including contracts, grants and ALEOs	Between 0% and 2.5% p.a.	Between 1.25% and 2% p.a.	Between 3% and 9% p.a.
Inflation	Utilities, including Gas, Electric, Heating Oil, Water	Gas 0% Electricity 2.5%	Gas 3% falling to 1% Electricity 5.7%	Gas 15% falling to 5% Electricity 15% falling to 8%
Population Demand	Children, schools impact	School roll slower	Total Year 1-5 Stable	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 9% Year 2 10% Year 3 6% Year 4 4% 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 Interest rate = Average 5%	