

# **FINANCIAL MODELLING FOR 2020-24 FINANCIAL PROJECTION (SEPTEMBER 2019)**

			Best Case				Financial Forecast				Worst Case			
	Base	Variation per 1%	2020-21	2021-22	2022-23	2023-24	2020-21	2021-22	2022-23	2023-24	2020-21	2021-22	2022-23	2023-24
		+ / -	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Pay Inflation	£11,000,000	£110,000	1	1	1	1	2	2	2	2	3	3	3	3
Price Inflation	£9,500,000	£95,000	0	0	0	0	2	2	2	2	3	3	3	3
Interest on Balances in Year	£13,000,000	£130,000	1.5	1.75	2	2	1	1.25	1.5	1.5	0.5	0.5	0.5	0.5
Retained Business Rates	£1,585,000	£16,000	2	2	2	2	-10.1	-44.8	2	2	-49.5	0	0	0
Council Tax	£6,525,000	£65,000	3	3	3	3	3	3	3	3	0	0	0	0
Fees and Charges	£6,600,000	£66,000	3	3	3	3	2	2	2	2	0	0	0	0
Rent Income *	£3,992,000	£40,000	3	3	3	5.5	2.5	2.5	2.5	5	-5	-5	-5	-5

\* includes dividend income from EEPIC

Best Financial Case Scenario	Worst Financial Case Scenario
Pay settlements constrained due to low levels of inflation	Higher pay increase unavoidable due to high level of inflation
No Inflation	Inflation increases above the Governments target of 2%
Interest rates start to move upwards mid 2020	No increase in interest rates
Fair Funding Review has no reduction on the Council's share of retained business rates	Fair Funding Review reduces baseline funding from business rates to fund other LA funding pressures
No further loss of grants or contributions	Further loss of grant / contributions
New Homes Bonus funding continues	New Homes Bonus funding lost as part of the Fair Funding Review
Welfare benefit changes have favourable impact on Council budget and housing demands met	Welfare benefit changes have significant adverse impact & increased demand for hsg/homeless services
Council tax increased marginally above inflation to help fund services	No increase on council tax
Income generated from fees and charges slightly above inflation	No increase in income received from fees & charges
No tenancy reductions and some rent review increases	Loss of significant tenancies with much lower future rent reviews
Financial Forecast	
Pay award at Government inflation target of 2%	
Price inflation of 2% only allowed for unavoidable cost increases (e.g. contracts)	
Interest rates start to move upwards mid 2021	
Fair Funding Review reduces Council's share of retained business rates to baseline level (which is reduced by negative RSG in 2021/2)	
No further loss of grants or contributions	
New Homes Bonus available as windfall no commitment to fund services	
Welfare benefit changes have limited impact on the Council's budget	
Council tax increased marginally above inflation to help fund services	
Income generated from fees and charges in line with inflation	
No loss of tenancies but some rent renegotiation	