

Appendix 2

Updated Financial Assumptions within the MTFS

The key financial assumptions included within the MTFS are set out below:

a) Pay assumptions:

General pay inflation - assumed now increase in 2022/23, in line with the Spending Review decision to un-pause public sector pay increases.

Pension contributions - in line with other employers in the Local Government Pensions Scheme (LGPS) the Council makes an annual contribution payment to the Pension Fund to contribute towards the recovery of the deficit on the Fund. This contribution payment is set every three years as part of the triennial valuation of the Fund.

b) Other pay considerations

The estimated cost of pay increments has been built into the MTFS.

c) Inflation Assumptions

Inflation has been calculated for premises and transport related costs including utilities, business rates and fuel based on latest market intelligence and CPI forecasts from Central Government.

d) Fees and charges

The Council provides a wide range of discretionary services. It is expected that where possible a market driven pricing is to be applied to support cost recovery.

e) Funding

At the time of writing this report, it is anticipated that the final local government finance settlement for 2022/23 will be announced in late January but currently no date has been provided. The provisional settlement was announced on 16 December 2021.

f) Grant funding

The Council no longer receives any Revenue Support Grant.

Grant funding for all services has been updated based on the latest announcements.

Two new Lower Tier Services grants totalling of £330k have been built into the MTFP funding to help mitigate the reduction in core spending power.

g) New Homes Bonus

New Homes Bonus is paid on a 4 year rolling basis. Income from New Homes Bonus has been budgeted in line with the confirmed grant announcement, with a reducing balance over the medium term due to funding for earlier years dropping out. The MTFS has been updated to reflect current forecasts of house building activity.

h) Council Tax

Council Tax for 2022/23 is based on an increase of £5 (subject to Council approval). Future years are also assumed to increase by the greater of £5 or 2%. The Council Tax Referendum level for 2022/23 remains unchanged from the previous year at 2% or £5.

The Council Tax Base (the number of Band D equivalent dwellings subject to Council Tax) for 2022/23 has increased slightly, but for subsequent years no increases have been assumed at this point.

i) Business Rates

The 2022/23 Business Rates multiplier has been frozen at the 2021/22 rate, and there is no increase to the Business Rates baseline funding. The Business Rates collection fund is forecast to be in surplus at the end of 2021/22, and this has been built into the 2022/23 budget. The final 2022/23 Business Rates income forecast (NNDR1) is still to be finalised; therefore, income has been based on the latest information available.

It is anticipated that the Council's income from Business Rates will increase at an inflationary amount for future years after 2022/23. If there are significant developments undertaken within the District this is likely to increase future revenue in the form of growth. However, the timing and value of any benefit will be impacted by the baseline resets applied as part of the Business Rates Retention scheme

j) Business Rates Retention Pool

The Council has for a number of years participated in a Business Rates pool with the local district and borough councils in East Sussex. The pool is expected to continue for 2022/23.