APPENDIX 1b

Medium-Term Planning Assumptions

1) Net spending

a) The construction of the budget each year begins with the **brought forward budget** from the previous year.

b) **One-off budget adjustments are removed**. Any other technical adjustments required under proper financial practice must also be made.

c) **Salaries** are inflated at 3% based on the spine column points on the pay scale through the MTFS period, based on recent experience (this is 4.5% for apprentices and those on the National Living Wage).
   i) Estimates provide for 13.8% to 15% for employers' national insurance contributions, depending on salary;
   ii) Employers contributions are assumed at 20.9%.
   iii) Salaries are based on a staffing structure agreed by the Head of Paid Service.
   iv) MTFS estimates are based on detailed calculations (by post) carried out as part of budget setting each year.

d) **Contract spending** is also assumed to increase at 3% per year (CPI was 3.1% in September 2026 and CPI is commonly used as the inflator in council contracts).

e) **Fees and charges** are assumed, for planning purposes, to yield an additional 2% per year through the planning period. This is tested through actual changes proposed to the schedule of fees and charges.

f) **Savings** are developed based on review of current financial performance and underlying budget provision.

g) **Pressures** are defined as being unavoidable increases in net costs based on current policy priorities approved by Councillors.

h) **Growth** is defined as avoidable or discretionary. Most often the discretion lies with Councillors who may decide to fund specific policy priorities or not.

i) **Recurrent** items are ongoing; **non-recurrent** items are not ongoing and may be one-off (for one year) or may last for 2 years but are not expected to persist indefinitely.

2) Funding

a) **Core Spending Power** is taken from the 3-year financial settlement, 2026/27 to 2028/29.
   i) Later years assume **council tax** continues to increase at 2.99% per year for the increase in the charge with 1.5% per year for growth in the taxbase.
   ii) The **Fair Funding Allocation** is assumed to continue to be reduced in line with the current indicative settlement values.
   iii) The grant for **Homelessness, Rough sleeping and Domestic abuse** is expected to continue to grow in line with current indicative values.
   iv) **Transitional protections** are assumed to remain unchanged from 2028/29.

b) **Extended Producer Responsibility** (EPR) grant funding has seen inflationary growth. It is assumed that this continues.

c) **Retained business rates arising from planning permissions granted by the council in respect of renewable energy sources.** This is under review to confirm the ability of the council to retain these funds through the planning period, in view of new legislation arising (Fair Funding Review 2.0, devolution and new powers/funding for mayors, Budget 2026, and the forthcoming Local Government Funding Policy Statement due imminently. If confirmed, this will provide a helpful source of funding to progress capital and similar local investments.