

## New service for Pixel subscribers

### MTFP Plus – Strategic Finance Report

1. The funding environment for local government is very uncertain. Pixel's new service helps local authorities to understand the range of potential funding outcomes over the medium term. This new service is additional to our Funding Advisory Service subscription.
2. In this service, based on Pixel's MTFP and Fair Funding models, we identify the key drivers for your funding forecasts and develop a range of funding scenarios. A report accompanying the analysis will set out the variables in full, and explain the assumptions used to set each variable.
3. The outputs from this service can be used in your budget-setting and medium-term financial planning, and will be comparable with your local funding and expenditure forecasts.

#### Step 1 – Identifying variables and developing scenarios

4. We have identified 25+ variables within the MTFP model that might affect future funding levels (**Table 1**). Through our benchmarking and trend analysis, we will suggest potential values for these variables, and identify the range for each variable. Variables fall into the following categories:
  - **Local policy decisions** (Band D increases, appeals/ bad debts). We will work with you to understand a plausible range of potential decisions, particularly around Band D council tax.
  - **Local taxbase assumptions** (real-terms business rates growth, council taxbase growth). These assumptions will be informed by past performance, and also by intelligence about future growth potential.
  - **National funding allocations** (growth in Settlement Funding Assessment, social care grants, and other grants).
  - **National funding reforms** (decisions about funding distribution and transitional support).
5. Full evidence with benchmarking and trend analysis will be set out for each variable, including council taxbase, business rate income, and changes in grant funding.

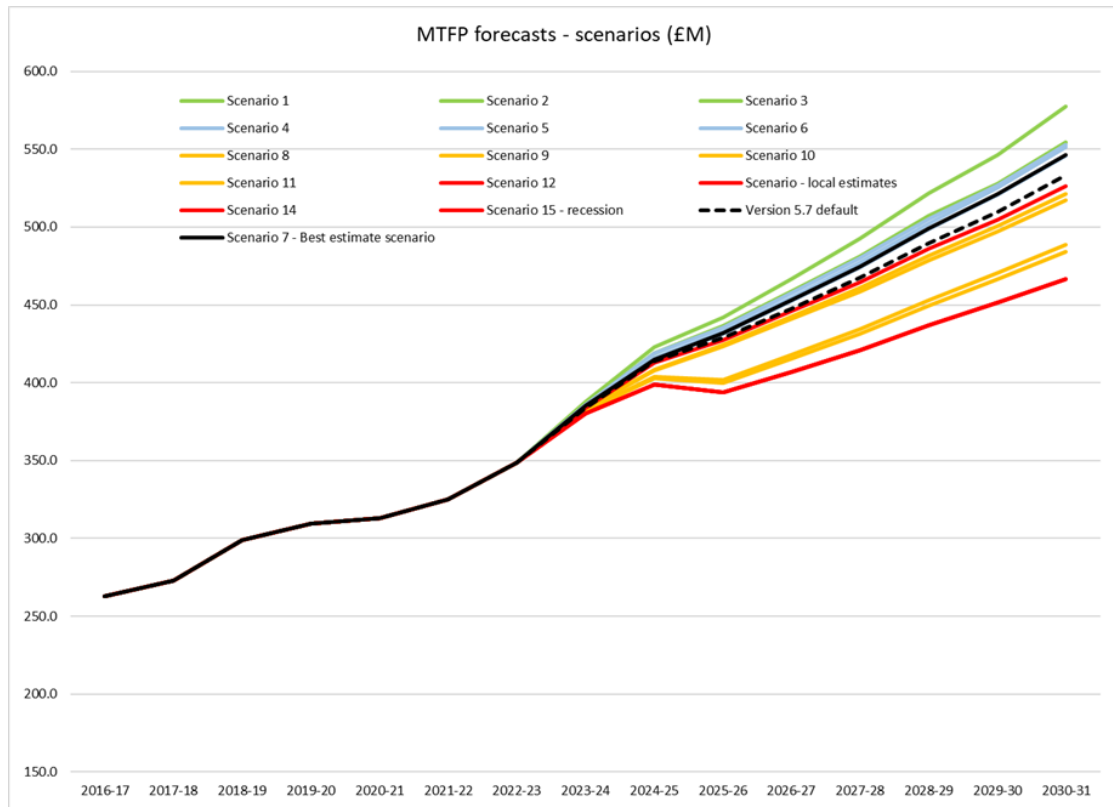
**Table 1 – Proposed variables for funding scenarios**

A1	Council tax - additions to valuation list	Local taxbase assumptions
A2	Council tax - single person discounts	Local taxbase assumptions
A3	Council tax - dwelling to bands (conversion rate, additions only)	Local taxbase assumptions
A4	Council tax - CTS	Local taxbase assumptions
A5	Council tax - collection rate	Local taxbase assumptions
A6	Business rates - Gross rates	Local taxbase assumptions
A7	Business rates - Empty property relief	Local taxbase assumptions
A8	Business rates - Charitable relief	Local taxbase assumptions
B1	Business rates - Bad debts	Local policy decision
B2	Business rates - Appeals/ refunds	Local policy decision
B3	Council tax Band D	Local policy decision
C1	Social care grants - growth from 2025-26 onwards	National funding allocations
C2	New Homes Bonus - additional year in 2025-26	National funding allocations
C3	Settlement Funding Assessment - growth from 2025-26 onwards	National funding allocations
C4	Public health grant - growth from 2025-26 onwards	National funding allocations
C5	Multiplier freeze - in 2025-26	National funding allocations
C6	Consumer Price Index (CPI)	National funding allocations
D1	Social care grants - from 2026-27	National funding reforms
D2	Public health grant - from 2026-27	National funding reforms
D3	Fair Funding Review - yes/no	National funding reforms
D5	Fair Funding Review – council tax equalisation options	National funding reforms
D6	Damping assumptions	National funding reforms
D7	Business rates baseline reset - in 2026-27 (full reset)	National funding reforms
D9	Scale-back recycled BR reset monies	National funding reforms

## Step 2 – Developing scenarios

- Using these variables, we can develop a range of funding scenarios. These will show the range of potential outcomes (highest/ lowest), whether there is any “grouping” of scenarios (suggesting the “most likely” outcomes), and whether there are any key variables that drive different outcomes. Potentially, we might develop 15+ scenarios to show the fullest range of possible outcomes.
- From this “long list” of scenarios, we can develop between 3 and 6 planning scenarios with you that could be used in your actual budget setting or medium-term financial planning. Broadly these would be grouped around a optimistic, best-estimate scenario and pessimistic scenarios.
- Forecasts would be for Total Resources to 2030-31 (including Council Tax, Business Rates Retention, and grant funding), in line with the parameters used in our MTFP model. This would cover the next spending review period and the entire parliament (assuming a General Election in Autumn 2024 and a parliament running the full 5 years).

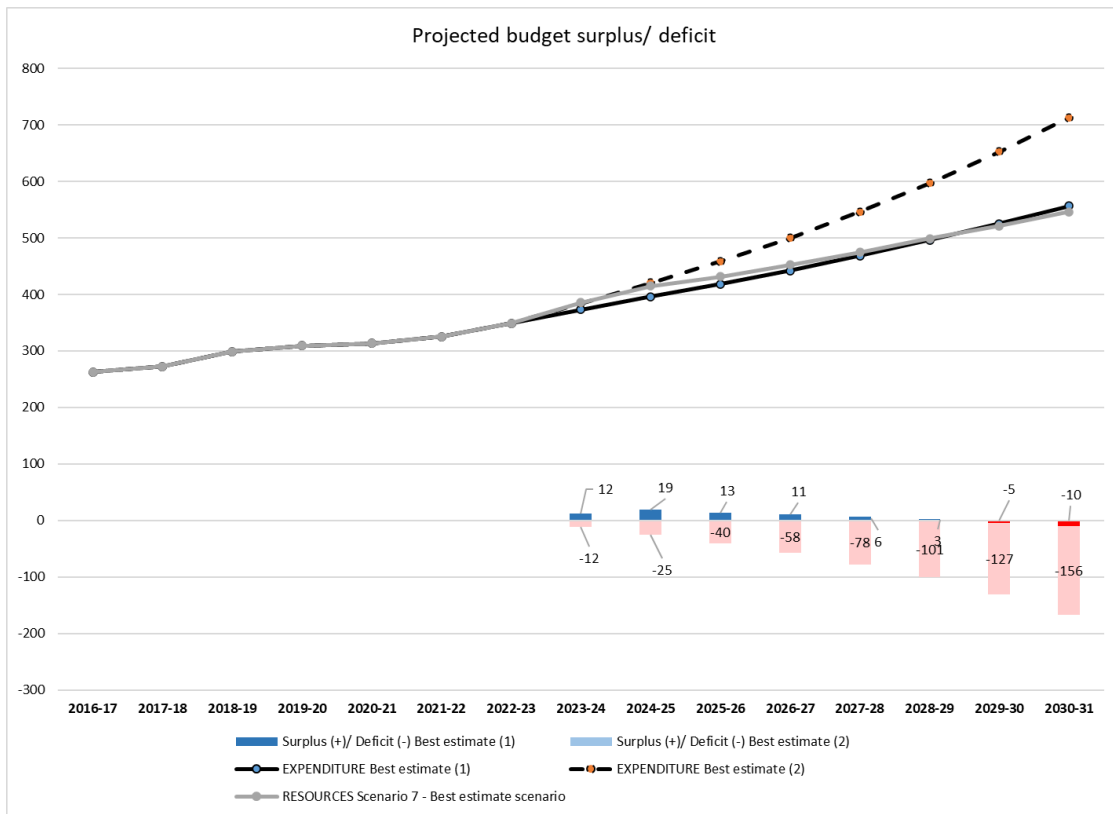
- Our report will discuss the likely range of assumptions, and what this means for the scenarios. We would also give a narrative about the range of potential scenarios – and our suggested range of plausible scenarios. We will also describe how these scenarios might be used for budget-planning purposes.



- We can also explain how to set up the MTFP model with the assumptions to recreate the scenarios so that these can be used in budget-planning. An updated version of the MTFP model will be issued later in the Spring, and we will update our scenario modelling based on this new version of the model.
- Local forecasts can be compared to our funding forecasts and scenarios. This will help to provide context about the future funding environment – and improve the credibility of local funding forecasts.

### Step 3 – Estimating budget deficits (or surpluses)

- Our modelling will develop expenditure projections over the same period. These estimates use recent expenditure trends, at individual service level, to project future changes in expenditure (e.g. 1-year, 2-year, and 5-year trends). These are not the same as forecasts, but they would give an indication about future spending levels if recent trends continue. We will validate these forecasts against your local net expenditure forecasts.



13. By comparing expenditure projections with our funding scenarios, we can estimate future budget deficits or surpluses. This gives insight into budget affordability, and context about your local financial pressures. .

14. The expenditure projections used in our report are informed by benchmarking and trend analysis on overall net expenditure, and on each of the major services. Evidence supported our expenditure projections will be available in our report.

### Price

15. The fee for this service is **£9,750 (plus VAT) for upper tier authorities, and £6,750 (plus VAT) for shire district councils**. It is additional to the Pixel subscription; and the service is only available to subscribers. It includes the modelling, plus any later revisions, a report and any Teams meetings that are required to either develop the assumptions or to present the outcomes.

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