APPENDIX F

Sensitivity analysis and risk analysis of the Medium Term Financial Strategy (MTFS)

1. The budget assumes approximately £7.5 million of income from fees and charges, recycling and investments. Whilst this assumption is realistic, given the position of the economy there is a risk that income could fall or be less than anticipated. A 5% reduction in income would result in a loss of £375,000.

2. The MTFS relies on proposed savings over the next 5 years of £664,000. A 5% reduction in the savings would equate to £33,200.

3. The MTFS assumes budget pressures over the next 5 years of £2.96 million. A 5% increase in the budget pressures would equate to £148,000.

4. Council Tax Income and New Homes Bonus have been modelled based on an extra 450 Band D Equivalent properties per annum increase. Each extra property attracts £1,272 in NHB. If this figure were to actually be say 400 properties (i.e. 50 properties less), this would mean that Council Tax Income would be £8,300 less and New Homes Bonus income would be £64,000 less.

5. Council Tax has been assumed in the MTFS to increase by the higher of £5 or 2.99% over each of the five years. For example, for 2019-20 this would equate to a Band D of £165.42 (an increase of £5). The additional council tax income this would generate is £192,000. If council tax for 2019/20 were to remain at £160.42, the income from council tax would be overstated by this amount in the MTFS.

6. If Council Tax income collection fell by 1% (collection in 17/18 was 98.15%), this would mean a reduction of council tax income of around £60,000. Similarly if Business Rates income collection fell by 1% (collection in 17/18 was 97.68%), this would mean a reduction in business rates income of £19,000.

7. Income from investments has been assumed to increase in line with the expected interest rate forecasts in Section 3.3. A 0.25% variation in interest rates on investment income equates to £60,000.

Borrowing Levels

Exempt Appendix G gives advice on the borrowing level for the Council and the Interest payments on the borrowing as a percentage of available Reserves. The tables below show the impact that a change of Interest payable at 2.5% on borrowing to 3% on borrowing has on this Indicator.

Total Borrowing	**Interest repayments at 2.5%**	**Level of Reserves** **(£1.85m Unearmarked and £8.32m Earmarked)**	**Interest payments (at 2.5%) as % of available Reserves**
£50m	£1,250,000	£10,170,000	12.3%
£75m	£1,875,000	£10,170,000	18.4%

Total Borrowing	**Interest repayments at 3%**	**Level of Reserves £m** **(£1.85m Unearmarked and £8.32m Earmarked)**	**Interest payments (at 3%) as % of available Reserves**
£50m	£1,500,000	£10,170,000	14.75%
£75m	£2,250,000	£10,170,000	22.1%

8. An allowance of 2.5% for inflation is included in the budget. Inflation costs are being managed through cost effective procurement.

9. The capital programme is funded by receipts, grants, and contributions. Realistic assumptions about these have been made for the future.

10. Known liabilities have been provided for and there are no significant outstanding claims.

Summary & conclusion

Sensitivity analysis and risks are identified above with a potential total adverse revenue effect for 2019/20 of **£959,500**. However, revenue reserves are recommended to be maintained at a minimum of £1.5 million. I therefore confirm the robustness of the Medium Term Financial Strategy and the adequacy of the reserves.

Mrs Lisa Buckle, Strategic Finance Lead (S151 Officer)