

Sensitivity analysis and risk analysis of the Budget Proposals 2019-20

1. The budget assumes approximately £3 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 £150,000.
2. The Budget Proposals rely on proposed savings over the next 5 years of £1.52 million. A 5% reduction in the savings would equate to £76,000.
3. The Budget Proposals assume budget pressures over the next 5 years of £1.77 million. A 5% increase in the budget pressures would equate to £88,500.
4. Council Tax Income and New Homes Bonus have been modelled based on an extra 160 Band D Equivalent properties per annum increase. Each extra property attracts 1,272 in NHB. If this figure were to actually be say 100 properties (i.e. 60 properties less in future years), this would mean that Council Tax Income would be £14,000 less and New Homes Bonus income would be £76,000 less (although NHB will cease in 2020 and it is unknown what any future scheme might look like).
5. Council Tax has been assumed in the Budget Proposals to increase by £6.72 to £231.63 in 2019/20. The additional council tax income this would generate is £136,000. If council tax for 2019/20 were to remain at £224.91, the income from council tax would be overstated by this amount in the Budget Proposals.
6. If Council Tax income collection fell by 1% (collection in 17/18 was 97.6%), this would mean a reduction of council tax income of £47,000. Similarly if Business Rates income collection fell by 1% (collection in 17/18 was 98.0%), this would mean a reduction in business rates income of £16,000.
7. Income from investments has been assumed to increase in line with the expected interest rate forecasts in Section 3. A 0.25% variation in interest rates on investment income equates to £20,000.
8. An allowance of 2% for inflation is included in the budget. Inflation costs are being managed through cost effective procurement.

9. The proposed capital programme for 2019-20 is funded by prudential borrowing, capital receipts, grants, S106 receipts 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.
11. **Borrowing Levels**

Exempt Appendix G to the Medium Term Financial Strategy (MTFS) in September 2018 gave advice on the borrowing level for the Council and the Interest payments on the borrowing as a percentage of available Reserves. The Council set an Upper Limit on External Borrowing (for all Council services) as part of the MTFS of £50 million. 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 £4.4m (£1.2m Unearmarked and £3.2m Earmarked)	Interest payments (at 2.5%) as % of available Reserves
£50m	£1,250,000	£4.4m	28.4%

Total Borrowing	Interest repayments at 3%	Level of Reserves £4.4m (£1.2m Unearmarked and £3.2m Earmarked)	Interest payments (at 3%) as % of available Reserves
£50m	£1,500,000	£4.4m	34.1%

Summary & conclusion

Sensitivity analysis and risks are identified above with a potential total adverse revenue effect for 2019/20 of £623,500. However, revenue reserves are recommended to be maintained at a minimum of £750,000. I therefore confirm the robustness of the Budget Proposals and the adequacy of the reserves.

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