APPENDIX E

Sensitivity analysis and risk analysis of the Budget Proposals 2017-18

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 budget proposals rely on proposed savings over the next 5 years of £1.2 million. A 5% reduction in the savings would equate to £60,000.

3. The budget proposals assume budget pressures over the next 5 years of £2.9 million. A 5% increase in the budget pressures would equate to £145,000.

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 £1,224 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 £7,800 less and New Homes Bonus income would be £61,000 less.

5. Council Tax has been assumed in the MTFS to increase by £5 per annum to £155.42 in 2017/18. The additional council tax income this would generate is £187,000. If council tax for 2017/18 were to remain at £150.42, the income from council tax would be overstated by this amount in the Budget Proposals for 2017-18.

6. If Council Tax income collection fell by 1% (collection in 15/16 was 98.17%), this would mean a reduction of council tax income of £56,000. Similarly if Business Rates income collection fell by 1% (collection in 15/16 was 98.18%), this would mean a reduction in business rates income of £18,000.

7. Income from investments has been assumed to increase in line with the expected interest rate forecasts in Section 3.4 i.e. 0.5% in 2017/18 and rising to 0.75% by 2020/21. A 0.25% variation in interest rates on investment income equates to £50,000.

8. An allowance of 2% 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 2017/18 of £959,800. However, revenue reserves are recommended to be maintained at a minimum of £1.5 million. I therefore confirm the robustness of the Budget Proposals for 2017-18 and the adequacy of the reserves.

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