APPENDIX E

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

1. The predicted revenue support grant figure for 2016/17 is £892,000. This is a reduction of £323,000 or 27% on the current year. For 2017/18 and 2018/19 further reductions of £271,000(30%) and £250,000(40%) have been assumed based on forecasts. A variation of 10% on the 2016/17 predicted figure for Revenue Support Grant equates to £89,200.

2. Extra business rates retention income from rates growth above the baseline funding has been assumed for the five year plan. A growth averaging £43,200 (2.7%) annually over the next five years has been assumed.

3. A realistic provision of £380,000 (equating to 3.5%) has been made for business rates appeals (the gross amount payable for Business Rates is £10.6 million in 15/16). An extra 1% provision would equate to £109,000.

4. The budget assumes approximately £1.7 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 £85,000.

5. The MTFS relies on proposed savings in 2016/17 of £755,000. These savings have been agreed as part of the Business case for the T18 Transformation Programme and are mainly from a reduction in staffing numbers being fully realised in 2016/17. A 5% increase or reduction in the savings would equate to £37,750.

6. New Homes Bonus has been modelled based on an extra 200 properties per annum increase. Each extra property attracts £1,174 (80% of £1,468). If this figure were to actually be say 50 properties less, this would mean New Homes Bonus figures would be less than predictions by £58,700 per annum for the next 6 years of New Homes Bonus.

7. Council Tax has been assumed in the Medium Term Financial Strategy to increase by 1.99% per annum. A 1% increase in council tax equates to £40,000.

8. Income from investments (around £8 million) has been assumed to increase in line with the expected interest rate forecasts in Section 2.3 i.e. 0.75% in 2016/17 and rising to 1.5% by 2018/19. A 0.25% variation in interest rates on investment income equates to £20,000.

9. An allowance of 2% for inflation is included in the budget. Inflation costs are being managed through cost effective procurement.

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

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

12. Income generation opportunities and the Council's asset management strategy - The Council's asset management strategy is to:

- Pro-active dispose of non-strategic land to reduce operational expenditure
- Use funds realised from asset disposals for future development
- Bring forward strategic sites for development or disposal as appropriate (investment will be required)
- Actively grow Commercial Asset Portfolio - Focus on Housing (Affordable, Rental, Market) & Employment Units

13. Other income generation initiatives will be pursued in tandem with extending the commercial property portfolio; linked to driving more value from Council assets and resources. This could be from increased fees and charges or providing customers with added value services.

Summary & conclusion

Sensitivity analysis and risks are identified above with a potential total adverse revenue effect for 2016/17 of £483,000. However, revenue reserves are recommended to be maintained at a minimum of £750,000. I therefore confirm the robustness of the Medium Term Financial Strategy and the adequacy of the reserves.

Mrs Lisa Buckle, Finance Community of Practice Lead (S151 Officer)