

Sensitivity analysis and risk analysis of the Budget Proposals 2023-24

1. The budget assumes approximately £3.5 million of income from fees and charges 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 7.5% reduction in income would result in a loss of £262,500.
2. The Budget Proposals rely on proposed savings over the next 3 years of 1,815,000. A 5% reduction in the savings would equate to £90,750.
3. The Budget Proposals assume budget pressures over the next 3 years of £3,180,800. A 5% increase in the budget pressures would equate to £159,040.
4. Council Tax Income has been modelled based on an extra 300 Band D Equivalent properties per annum increase. If this figure were to actually be Nil, this would mean that Council Tax Income would be £76,200 less.
5. Council Tax has been assumed in the Budget Proposals to increase by 2.99% to £254.00 in 2023/24. The additional council tax income this would generate is £156,400. If council tax for 2023/24 were to remain at £246.63, 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 21/22 was 97.8%), this would mean a reduction of council tax income of £54,000. Similarly if Business Rates income collection fell by 1% (collection in 21/22 was 93.67%), 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. A 0.25% variation in interest rates on investment income equates to £30,000.

Borrowing Levels

Exempt Appendix G of the Medium Term Financial Strategy presented to Council in September 2018, gave advice on the borrowing level for the Council (recommended at £50 million) and the Interest payments on the borrowing as a percentage of available Reserves. The table below shows the impact that Interest payable at 4% on borrowing has on this Indicator.

Total Borrowing	Interest repayments at 4%	Level of Reserves £9.233m*	Interest payments (at 4%) as % of available Reserves
£50m	£2,000,000	£9.233m	21.7%

*(£1.455m of Unearmarked Reserves and £7.778m of Earmarked Reserves)

- 8. The capital programme is funded by receipts, grants, and contributions. Realistic assumptions about these have been made for the future.
- 9. Known liabilities have been provided for and there are no significant outstanding claims.

CIPFA'S Financial Resilience Index 2022

CIPFA has published a Financial Resilience Index which is a comparative analytical tool that can be used by Chief Financial Officers (S151 Officers) to support good financial management and to provide a common understanding within a Council of its financial position. The index shows a Council's position on a range of measures associated with financial risk. Section 151 Officers can use the index in the annual budget report.

The extracts below show the financial resilience indicators for West Devon Borough Council for 2022, when compared against Nearest Neighbours and Non-Metropolitan Districts. Bars on the left show a higher risk of financial stress for different categories e.g. level of Reserves, Gross External Debt, interest payments as a proportion of net revenue expenditure etc. Similarly bars on the right show a lower risk of financial stress for each indicator.

Resilience Index 2022



The tables show that when compared against nearest neighbours and non metropolitan districts, West Devon has a higher than average risk around its level of reserves and the interest payable on borrowings. Gross External Debt is higher than average risk when compared against nearest neighbours, but slightly lower than average when compared against Non Metropolitan Districts. The reliance on fees and charges in comparison to service expenditure is also higher risk when compared against nearest neighbours. All other indicators are lower risk when benchmarked against nearest neighbours and non-metropolitan districts.

Summary & conclusion

Sensitivity analysis and risks are identified above with a potential total adverse revenue effect for 2023/24 of **£846,890**.

I therefore confirm the robustness of the Budget Proposals and the adequacy of the reserves.

Mrs Lisa Buckle, Corporate Director for Strategic Finance (S151 Officer)

9 February 2023