

Scenario Planning and Sensitivity Analysis

The decision as to the level of the General Fund Reserve will draw on a risk assessment referencing the national economic and financial context within which the budget and Medium Term Financial Strategy (MTFS) is set.

Following this risk assessment, the following areas have been identified as potentially having a significant financial risk on the Council's MTFS position.

Risk Area	Risk Likelihood	2013/14 Impact £000s	2013/17 MTFS Impact £000s
<p><u>Pay Inflation</u></p> <p>The Council's MTFS currently assumes a 1% pay inflationary increase for 2013/14 and 2014/2015, and a 2% inflationary increase for 2015/16 and 2016/17, moving to 2% from 2015/16 onwards.</p> <p>An annual 1% increase in pay inflation over what is already assumed in the MTFS would result in an additional £653k pressure on the Council's finances.</p>	Low	62	653
<p><u>Employers Pensions</u></p> <p>The Council's MTFS currently assumes the following Employers' Pension Contribution Rates:</p> <p>2013/14 – 19.0% 2014/15 – 20.7% 2015/16 – 22.4% 2016/17 – 24.1%</p> <p>An increase of 1% to the contributions on top of that already budgeted would result in an additional pressure of £195k on the Council's MTFS.</p>	Medium	48	195

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Risk Area	Risk Likelihood	2013/14 Impact £000s	2013/17 MTFS Impact £000s
<p><u>Business Unit Rental Income</u></p> <p>The Council's MTFS currently allows for reductions in Business Unit income as a result of vacancies.</p> <p>If income from Business Unit Rents falls by a further 10% this would put an additional £236k pressure on the MTFS.</p>	Medium	59	236
<p><u>Planning Income</u></p> <p>The Council's MTFS has been updated to reflect a slower than expected recovery in fees across the Planning service, however this still assumes a year on year increase in the budgeted levels.</p> <p>If Planning income levels remain at the actual level received in 2011/12, this would have a £617k detrimental impact on the Council's MTFS.</p>	Medium	141	617
<p><u>Waste Recycling</u></p> <p>The Council's MTFS currently assumes a level of Waste Recycling Credits. As part of its own savings drive, Suffolk County Council is considering reducing the level of credits.</p> <p>This could have an impact of around £170k per annum additional cost to the Council, equating to £680k over the term of the MTFS.</p>	High	170	680

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Risk Area	Risk Likely-hood	2013/14 Impact £000s	2013/17 MTFS Impact £000s
<p><u>Transfer of Waste Station</u></p> <p>The Council's budgets are currently based using the Lackford waste site for tipping. If this were to transfer to Rougham then this would necessitate the need for additional vehicles and staff.</p> <p>This would have an impact of around £500k from 2014/15 onwards which equates to around £1.5m over the term of the MTFS.</p>	High	0	1,500
<p><u>Asset Management Plan</u></p> <p>The costs for bringing the Council's properties into a good state of repair have been factored into the MTFS.</p> <p>If these costs were to increase by 5% this would add an additional pressure of £101k over the term of the MTFS.</p>	Low	26	101
<p><u>Street Lighting</u></p> <p>The current MTFS does not allow for replacement or major repairs of the Council's street lighting.</p> <p>The potential cost of replacement of 200 lamps could add an additional £200k pressure to the MTFS.</p>	Medium	0	200

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Risk Area	Risk Likelihood	2013/14 Impact £000s	2013/17 MTFS Impact £000s
<p><u>Interest Receipt Rates</u></p> <p>The Council's current assumptions around interest receipts are as follows:</p> <p>2013/14 – 2.45% 2014/15 – 2.50% 2015/16 – 2.50% 2016/17 – 2.50%</p> <p>A 0.5% reduction in each of these figures would result in approximately £385k pressure on the Council's MTFS.</p>	High	103	385
<p><u>Government Grant</u></p> <p>The Council's MTFS currently assumes cumulative reductions in formula grant funding of 10% for 2015/16 and 2016/17.</p> <p>An additional reduction of 2% per annum for each of these years would result in a £143k cost to the Council's MTFS position.</p>	High	0	143
<p><u>Council Tax Increases</u></p> <p>The MTFS currently assumes a Council Tax freeze for 2013/14 and an increase of 2.5% from 2014/15 onwards.</p> <p>A freeze on Council Tax in 2014/15 would create an additional pressure of £56k in that year and a pressure of £172k across the MTFS.</p>	High	0	172

Risk Area	Risk Likelihood	2013/14 Impact £000s	2013/17 MTFS Impact £000s
<p><u>Business Rate Retention</u></p> <p>The Business Rates Retention Scheme commences from 1 April 2013. Under the new scheme, the Council would benefit from a proportion of the additional business rates generated through economic growth in its area. Conversely the risks inherent in such a scheme have now been passed down to local authorities and as such the Council could suffer from an economic decline or the cessation of business from one of its major business ratepayers.</p> <p>At present the effects of this on the Council's MTFS are not easily quantifiable and as such no amounts have been shown in this analysis, however it has been included for completeness and because it is one of the Council's significant MTFS risks.</p>	Medium		
<p><u>Council Tax Localisation</u></p> <p>The level of Council Tax receipts in the MTFS are based upon collection rates of 99% for Council Tax and 90% for the additional income generated from changes to the discounts scheme.</p> <p>A fall of 1% in both of these collection rates would have a detrimental effect of £94k across the Council's MTFS.</p>	Medium	22	94

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Risk Area	Risk Likelihood	2013/14 Impact £000s	2013/17 MTFS Impact £000s
<p><u>Housing Benefit Subsidy</u></p> <p>The MTFS currently assumes a 99% subsidy rate within the budgets.</p> <p>A 1% reduction in this subsidy rate for the Council for each year would result in an additional £722k pressure on the Council's MTFS position.</p>	High	175	722
<p><u>Local and Shared Services Savings</u></p> <p>The Council's Savings Programme and projected savings from Shared Services totals £5,181k over the term of the MTFS.</p> <p>If the Council were unable to achieve 10% of the projected savings then this would add an additional £518k pressure over the term of the MTFS.</p>	Medium	112	518
TOTALS (£000s):		896	6,122