

**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.

<b>Risk Area</b>	<b>Risk Likelihood</b>	<b>2014/15 Impact £000s</b>	<b>2014/18 MTFS Impact £000s</b>
<p><b><u>Pay Inflation</u></b></p> <p>The Council's MTFS currently assumes a 1% pay inflationary increase for 2014/15, and a 2% inflationary increase for 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 £234k pressure on the Council's finances.</p>	Low	55	<b>234</b>
<p><b><u>Employers Pensions</u></b></p> <p>The Council's MTFS currently assumes the following Employers' Pension Contribution Rates:</p> <p>2014/15 – 22.4% 2015/16 – 24.7% 2016/17 – 27.0% 2017/18 – 30.0%</p> <p>An increase of 1% to the contributions on top of that already budgeted would result in an additional pressure of £184k on the Council's MTFS.</p>	Medium	46	<b>184</b>

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<b>Risk Area</b>	<b>Risk Likelihood</b>	<b>2014/15 Impact £000s</b>	<b>2014/18 MTFS Impact £000s</b>
<p><b><u>Business Unit Rental Income</u></b></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 £316k pressure on the MTFS.</p>	Medium	79	<b>316</b>
<p><b><u>Planning Income</u></b></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 2012/13, this would have a £532k detrimental impact on the Council's MTFS.</p>	Medium	110	<b>532</b>
<p><b><u>Transfer of Waste Station</u></b></p> <p>The Council's budgets are currently based using the Lackford waste site for tipping. If this were to transfer to another site then this would necessitate the need for additional vehicles and staff.</p> <p>This would have an impact of around £250k from 2014/15 onwards which equates to around £1m over the term of the MTFS.</p>	High	250	<b>1,000</b>

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<b>Risk Area</b>	<b>Risk Likely-hood</b>	<b>2014/15 Impact £000s</b>	<b>2014/18 MTFS Impact £000s</b>
<p><b><u>Interest Receipt Rates</u></b></p> <p>The Council's current assumptions around interest receipts are as follows:            2014/15 – 1.90%            2015/16 – 1.75%            2016/17 – 2.15%            2017/18 – 2.50%</p> <p>A 0.5% reduction in each of these figures would result in approximately £459k pressure on the Council's MTFS.</p>	High	125	<b>459</b>
<p><b><u>Government Grant</u></b></p> <p>The Council's MTFS currently assumes cumulative reductions in formula grant funding of 10% for 2016/17 and 2017/18.</p> <p>An additional reduction of 2% per annum for each of these years would result in a £170k cost to the Council's MTFS position.</p>	High	0	<b>170</b>
<p><b><u>Council Tax Increases</u></b></p> <p>The MTFS currently assumes a Council Tax freeze for 2014/15 and an increase of 2% from 2015/16 onwards.</p> <p>A freeze on Council Tax from 2015/16 would create an additional pressure of £45k in that year and a pressure of £278k across the MTFS.</p>	High	0	<b>278</b>

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<b>Risk Area</b>	<b>Risk Likely-hood</b>	<b>2014/15 Impact £000s</b>	<b>2014/18 MTFS Impact £000s</b>
<p><b><u>Business Rate Retention</u></b></p> <p>The Business Rates Retention Scheme commenced from 1 April 2013. Under the new scheme, the Council benefits 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>A 1% decrease in the business rates collectable across the district would result in additional pressure of £344k across the MTFS.</p>	Medium	86	<b>344</b>
<p><b><u>Council Tax Localisation</u></b></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 £95k across the Council's MTFS.</p>	Medium	23	<b>95</b>
<p><b><u>Housing Benefit Subsidy</u></b></p> <p>The MTFS currently assumes a 98.5% 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 £713k pressure on the Council's MTFS position.</p>	High	174	<b>713</b>
<b>TOTALS (£000s):</b>		<b>862</b>	<b>4,325</b>