

Sensitivity Analysis

We have calculated a sensitivity analysis of our key variables in order to quantify the potential financial impact on the budget. These sensitivities are shown below.

Business Rates Retention sensitivity

This area carries a high level of risk for the Council as the retained business rates scheme is based on a cash amount and therefore reduced cash receivable will impact the Council.

A 'Safety Net' is in place to protect local authorities from large decreases in Business Rates income, for Breckland the maximum income lost for 2017-18 would be around £1,499k (or a 12% reduction in overall business rates).

An allowance for lost income relating to Business Rates appeals is incorporated into the estimated retained income. The appeals level in 2017-18 is set at 4% to allow for the high volume of appeals expected following the 2017 revaluation. In future years it is estimated as 1.5% of overall rates income. Each 0.5% change in the appeals level equates to an overall change of £197k (around £79k effect to Breckland).

The assumed Business Rates collection rate is 99% which has historically been achieved, any reduction in collection rate will reduce the income retained by the Council.

Return on cash investments sensitivity

Another factor outside of the Council's control is interest rates, investment income will be closely monitored and our return on investments will not be at the expense of security and liquidity.

Avg rate of return	Average cash balances				
	11,000,000	16,000,000	21,000,000	26,000,000	31,000,000
Annual investment income					
0.300%	33,000	48,000	63,000	78,000	93,000
0.800%	88,000	128,000	168,000	208,000	248,000
1.300%	143,000	208,000	273,000	338,000	403,000

Contract Inflation Sensitivity

Many of the Council's major contracts are in some way linked to differing inflation rates. The table below shows the financial impact of percentage increases/decreases above the inflation rates budgeted for in 2017-18 for the Council's major value contracts.

Contract Area	% inflation increase/decrease compared to budgeted figure			
	+/- 0.5%	+/- 1.0%	+/- 1.5%	+/- 2.0%
Waste Collection	26,219	52,438	78,656	104,875
Leisure PFI	11,184	22,368	33,552	44,736
Planning & Building Control	11,575	23,149	34,724	46,299
NCC ICT	3,509	7,018	10,526	14,035
TOTAL	52,487	104,973	157,458	209,945

Any increase would have a compounding financial effect on future years contract costs.

Additional Capital Expenditure Sensitivity

Additional capital expenditure above that budgeted for creates an additional revenue cost as a result of lost interest on the funds which would previously have been invested. The table below shows the effect of additional capital spend on the revenue budget.

Capital Spend Amount	Additional Cost to Revenue Budget		
	2017-18	2018-19	2019-20
£250,000	£750	£950	£1,875
£500,000	£1,500	£1,900	£3,750
£1,000,000	£3,000	£3,800	£7,500

If borrowing was required to fund a capital programme this would also have an impact on the revenue budget.

Borrowing of £1m over 10 years would have the following revenue cost per year:

	Year 1	Cumulative 10 year
Interest (based on PWLB rate of 1.71%)	17,100	96,441
Provision for repayment of principal	92,544	1,000,000
Total Revenue Cost	109,644	1,096,441