

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 and this risk increases with the reset and changes to the retention scheme in future.

A 'Safety Net' is in place to protect local authorities from large decreases in Business Rates income (i.e. from appeals, businesses moving, etc.), for Breckland the maximum income lost for 2023-24 would be around £1,834k (or a 12% reduction in overall business rates). There is currently funding held in the revenues and benefits reserve allocated to protect the Council in any one year from a significant loss in business rates income.

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				
	13,800,000	18,800,000	23,800,000	28,800,000	33,800,000
	Annual investment income				
2.00%	276,000	376,000	476,000	576,000	676,000
3.00%	414,000	564,000	714,000	864,000	1,014,000
4.00%	552,000	752,000	952,000	1,152,000	1,352,000
5.00%	690,000	940,000	1,190,000	1,440,000	1,690,000
6.00%	828,000	1,128,000	1,428,000	1,728,000	2,028,000

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 2023-24 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	24,038	48,076	72,114	96,151
Leisure PFI	12,764	25,528	38,293	51,057
Planning & Building Control	13,010	26,021	39,031	52,042
TOTAL	49,813	99,625	149,438	199,250

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

Commercial Property Rental Income Sensitivity

The budget includes £2,926k of rental income from property. This area of income is subject to change from market conditions and therefore a 'buffer fund' has been created which can be used to protect the council in the short term in the event of large voids or timing between disposal and acquisition of properties.

Each 1% change in rental income equates to a £29k change in the overall budget.

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		
	2023-24	2024-25	2025-26
£250,000	£11,125	£7,500	£6,250
£500,000	£22,250	£15,000	£12,500
£1,000,000	£44,500	£30,000	£25,000

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 4.05%)	40,500	235,980
Provision for repayment of principal	83,098	1,000,000
Total Revenue Cost	123,598	1,235,980