

Financial plan sensitivity and risk analysis

1. The budget assumes £13.6 million of income from fees and charges, recycling, property and investments. Whilst this assumption is realistic it includes significant rental income from Market Walk and there is always the risk that income could fall or be less than anticipated. **A drop in income as compared to budget of around 10% would result in a loss of £1,360,000.**
2. A small provision of 1% has been made for potential losses in council tax collection which is likely to be more difficult next year with the estimated overall increase of 4.9% in council tax.
3. Inflation on costs is being managed through energy reduction measures and cost effective procurement. An allowance of £100,000 for inflation (excluding pay award provision) is included in the budget which is considered reasonable.
4. Known liabilities have been provided for and there are no significant outstanding claims.
5. The final settlement confirmed significantly reducing figures for revenue support grant going down to NIL for 2019/20.
6. Business rates retention income from rates growth above the baseline and some pooling gain has been assumed for the four plan years. This is reasonable being largely based on the special grants we are due to get to cover the cost to Teignbridge of government schemes to help businesses. 100% retention is included for 2018/19. A realistic provision of £560,000 has been made for business rates appeals next year. We are only protected against any rates downturn or further rates appeals by a relatively low safety net and **a 10% reduction in funding would be £500,000.**
7. New homes bonus was estimated on 620 extra homes per year as in the local plan and a 6 year payment. Following last years settlement this was reduced to 5 years for 2017/18 and 4 years thereafter. In addition a 0.4% baseline deduction reduced the figure year on year. The reduced figure of £2.9 million has been used in the budget and continuing baseline reductions of 0.4% have been assumed for 2019/20 and 2020/21.
8. The capital programme is financed over the next three years using realistic estimates of contributions from revenue, receipts, grants, and other funding including community infrastructure levy. Provisions are shown for major town centre and employment site investment to be funded through prudential borrowing. However these are indicative projects only and not being approved in this budget with individual business cases to be brought to members for consideration as they are developed.

Summary & conclusion

Significant risks are identified above with a potential total adverse revenue effect for 2018/19 of £1.9 million. However, revenue reserves are planned to be 11.3% of the net revenue budget or £1.9 million. Cash flow is forecast to be positive over the next twelve months apart from some minor temporary borrowing. I therefore confirm the robustness of the budget and the adequacy of the reserves.

Martin Flitcroft, Interim Chief Finance Officer

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