


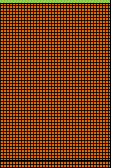
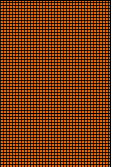
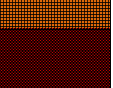

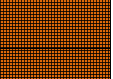

**SENSITIVITY ANALYSIS - 2017-2020 FORECAST**

**APPENDIX 3 ANNEX 2**

FORECAST ITEMS & DESCRIPTION	POTENTIAL FOR CHANGE	RISK ANALYSIS	LEVEL OF IMPACT	WORST CASE	MEDIUM CASE**	BEST CASE	WORST CASE	MEDIUM CASE**	BEST CASE	WORST CASE	MEDIUM CASE**	BEST CASE
				2017/18 £m	2017/18 £m	2017/18 £m	2018/19 £m	2018/19 CASE** 2018/19	2018/19 £m	2019/20 £m	2019/20 CASE** 2019/20	2019/20 £m
<b>EXPENDITURE</b>												
<b><u>Fixed and Ongoing</u></b>												
Pay Award, NI & Increments.	Pay inflation currently based on 1% increase in 2017/18 and beyond. Provision for pay inflation is also subject to change to the extent that future budget savings impact on staffing levels. Each 1/2% variation is likely to have a +/-£0.5m effect.		HIGH	2.055	1.555	1.055	1.875	1.375	0.875	1.886	1.386	0.886
Pensions	The forecast takes account of agreed changes resulting from the actuarial review in 2017. There is a possibility that costs might change between this period as a result of academy conversions but in general costs should remain relatively stable for the actuarial period. Some provision has been made in the forecast but the outcome of the revaluation is still awaited		LOW	0.258	0.258	0.258	0.258	0.258	0.258	0.258	0.258	0.258
Other Inflation (inc BSF)	Provision for other non pay inflation (eg contract) - potential for significant change if inflation changes especially where there are contractual commitments in relation to future inflation. Sensitivity assumes +/-£0.250m.		HIGH	1.327	1.077	0.827	1.505	1.255	1.005	1.491	1.241	0.991
Financing capital new starts programme (inc FYE from previous years)	Potential for change according to a number of variables (eg interest rate fluctuations, spend profiles etc). Currently interest rates are very low and in August were reduced to 0.25%. Whilst most economic forecasts believe they will remain at this level until 2017 there is a risk that they could increase before then. Sensitivity assumes +£0.100m change to reflect interest rate changes.		MEDIUM	0.600	0.500	0.500	0.600	0.500	0.500	0.600	0.500	0.500
National Living Wage	Governments announcement to increase the national minimum living wage has resulted in an increase cost to the council in terms of paying more for existing and new contracts. A sensitivity of +/- £0.5M has been built into the current estimate		MEDIUM	2.313	1.813	2.313	2.215	1.715	2.215	0.500	0.000	0.500
<b><u>Investments &amp; Other Decisions</u></b>												
Children services Pressures	Provision at this stage has been included in the forecast to take account of the out of borough places pressure. A +/- £1.0m change has been assumed.		HIGH	3.900	2.900	1.900	1.000	0.000	0.000	1.000	0.000	0.000
Adult Social Care pressures	Forecast currently assumed that there will be further pressures around the introduction of living wage and care home fees - This needs to be firmed up but will vary. Unlikely to increase but potential to reduce by up to £1m		HIGH	3.082	3.082	2.082	0.000	0.000	0.000	0.000	0.000	0.000
Public Health Pressures	The anticipated fall in Public Health grant over the next 3 years will create a pressure. The current forecast assumes that this will be fully funded however work is ongoing as part of the prioritisation programme to confirm this. Therefore whilst the costs are not expected to rise they may fall. Sensitivity is therefore based on a reduction in 17/18 of £1M in 17/18 and no increases in later years		HIGH	1.889	1.889	0.889	0.460	0.460	0.000	0.565	0.565	0.000
Other Pressures	There are a number of other pressures including grant fallout across the council. Whilst the current estimated costs in relation to these are unlikely to change, sensitivity assumes a +/-2% change		HIGH	1.881	1.844	1.807	0.714	0.700	0.686	0.714	0.700	0.686
<b><u>Mitigations</u></b>												
Reduction in Base Spend	A prudent estimate of reductions in base spend have been made and the medium case is that a £3M reduction can be made in 17/18. However this is dependant on on-going pressures elsewhere in particular with Social Care. Sensitivity assumes that the worst case would be a swing of £2m		HIGH	-1.000	-3.000	-3.000	0.000	0.000	0.000	0.000	0.000	0.000
Full year effect of Previous savings	This relates to the full year effect of previously agreed efficiency savings. There is no risk to this being achieved		LOW	-0.450	-0.450	-0.450	0.000	0.000	0.000	0.000	0.000	0.000
Change in MRP Policy	Cabinet have agreed a change in the MRP policy. It is unlikely that there will be any sensitivity around this forecast.		HIGH	-9.800	-9.800	-9.800	-2.200	-2.200	-2.200	0.000	0.000	0.000
<b>Total Change in Expenditure</b>				<b>6.055</b>	<b>1.668</b>	<b>-1.619</b>	<b>8.627</b>	<b>4.063</b>	<b>3.339</b>	<b>7.014</b>	<b>4.650</b>	<b>3.821</b>

## SENSITIVITY ANALYSIS - 2017-2020 FORECAST

## APPENDIX 3 ANNEX 2

FORECAST ITEMS & DESCRIPTION	POTENTIAL FOR CHANGE	RISK ANALYSIS	LEVEL OF IMPACT	WORST CASE 2017/18 £m	MEDIUM CASE** 2017/18 £m	BEST CASE 2017/18 £m	WORST CASE 2018/19 £m	MEDIUM CASE** 2018/19	BEST CASE 2018/19 £m	WORST CASE 2019/20 £m	MEDIUM CASE** 2019/20	BEST CASE 2019/20 £m
<b>RESOURCES</b>												
Council Tax increased base and CF surplus	Provision for additional base income or use of the Collection Fund is assumed in 2017/18 based on expected base position at end of 16/17 together with a further £0.5M increase (500 collectable properties) in 18/19 and 19/20. A further +/-£0.5m is assumed best / worst case in future years.		HIGH	-2.500	-3.000	-3.500	0.000	-0.500	-1.000	0.000	-0.500	-1.000
Council Tax increases	The current referendum limit is 2% so increases above this level will trigger a referendum requirement which the Council is keen to avoid. There is little prospect of the current government altering this policy in the near future. As such, future council tax income could be maximised. Current forecast is based on 3.9% increase in 17/18 and 2.9% in 18/19 and 2.9% in 19/20. the worst case scenario assumes only 1.9% in 17/18, no CT increase in 2018/9 & 2019/20 and the best case assumes that we will also implement the 3.9% in 18/19 and 19/20.		HIGH	-1.390	-2.892	-2.892	0.000	-2.141	-2.892	0.000	-2.142	-2.892
<b><u>NNDR/ Grants</u></b>												
Business Rates (net 50% share)	The future forecast is based on an assumed increase in the multiplier (based on RPIx). However predictions for retaining local share is subject to a number of variables such as the level of mandatory and charitable reliefs, the level of appeals, new businesses and closures etc. As such it is very difficult to predict and subject to potential wide variations. A +/- £0.5m variation is assumed for future years.		MEDIUM	0.500	0.000	-0.500	0.000	-0.500	-1.000	0.000	-0.500	-1.000
Business Rates Top up grant	In order to establish an initial neutral position the government will pay top up grant or impose tariffs to reflect an Authority's current position. Future forecasts are based on a 2% increase on an assumed inflation factor in 17/18 and a 3% increase in 18/19 and 19/20 which might be change. a 1% +/- is assumed best case/worse case		MEDIUM	-0.262	-0.524	-0.786	-0.402	-0.802	-1.202	-0.450	-0.895	-1.295
Revenue Support Grant	RSG levels are based on the recent 4 year settlements. . There is potential for this to change particularly following the recent announcement in the budget for potential further costs in 2019/20		HIGH	9.299	9.299	9.299	6.239	6.239	6.239	6.276	6.276	6.276
<b><u>Other Potential Income</u></b>												
Better Care Fund	New monies are available from 2017/18 through the Better Care Fund and the CCG - a case will need to be made to ensure that some resources become available to support social care pressures. The best case scenario assumes that we wil get 25% of these resources - some £250k		HIGH									
Sheffield City Region Funding	There is also the potential for additional resources through the SCR - particularly around our economic and skills agenda. Whilst this funding may be largely one off in nature there is the potential for support to key areas of spend.		HIGH									
<b>Total Change in Resources</b>				5.647	2.883	1.621	5.837	2.296	0.145	5.826	2.239	0.089
<b>TOTAL</b>				<b>11.702</b>	<b>4.551</b>	<b>0.002</b>	<b>14.464</b>	<b>6.359</b>	<b>3.484</b>	<b>12.840</b>	<b>6.889</b>	<b>3.910</b>
<b>TOTAL - ASSUMING PREVIOUS YEARS' DEFICITS NOT BRIDGED</b>				<b>11.702</b>	<b>4.551</b>	<b>0.002</b>	<b>26.166</b>	<b>10.910</b>	<b>3.486</b>	<b>39.006</b>	<b>17.799</b>	<b>7.396</b>

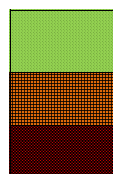
\*\* Medium case is based on the latest forecast

**Key - Level of Risk**

Risk unlikely to happen & action plans in place to reduce the chance of it happening

Risk likely to happen & action plans in place to reduce the chance of it happening

Risk likely to happen & no plans in place to reduce the chance of it happening



**Key - Impact**

<£500K      LOW

£500K <£1M      MEDIUM

£1M+      HIGH