

Appendix F - Sensitivity Analysis - Best and Worst Case Modelling				
Best Case				
Figures are cumulative	2025-26 £'m	2026-27 £'m	2027-28 £'m	2028-29 £'m
Current forecast gross budget deficit (before savings or capitalisation directions)	104.9	138.8	163.4	187.0
Inflation	-9.0	-11.0	-13.0	-15.0
Demand & demographic pressures	-20.0	-25.0	-30.0	-35.0
Borrowing cost - refinancing short term debt	-2.0	-3.0	-3.0	-3.0
Government grants	-2.4	-4.8	-7.2	-9.6
Business Rates	-2.0	-4.0	-6.0	-8.0
Council Tax	-1.6	-3.2	-4.8	-6.4
Economic Demand and Pressures Budget	-2.5	-5.0	-7.5	-10.0
Net Change	-39.5	-56.0	-71.5	-87.0
Updated deficit net of savings	65.4	82.8	91.9	100.0
Best Case Assumptions				
1. Inflation - Pay inflation at 1.5% (rather than 2%) for all years. Non-pay inflation is half of the current £16m assumption for 2025-26 and 10% reduction in need for future years.				
2. Demand & demographic pressures - £20m less in 2025-26 and £5m less in future years. Benefit from government policy/legislation changes, eg. Temporary Accommodation, Special Educational Needs & Disabilities (SEND).				
3. Refinancing of short-term debt - interest rate reducing by 2% in 2025-26 and further 1% in 2026-27 (assumes £100m refinancing).				
4. Government grants - assuming 5% inflationary increase per annum (compared to 1% in MTFS).				
5. Business rates - assume 4% increase per annum (compared to 2% in MTFS).				
6. Council tax - assume extra 0.59% tax base growth (on top of 0.59% in MTFS).				
7. Economic Demand and Pressures Budget - only half of £5m required each year owing to in-year management of budget pressures.				
Worst Case				
Figures are cumulative	2025-26 £'m	2026-27 £'m	2027-28 £'m	2028-29 £'m
Current forecast gross budget deficit (before savings or capitalisation directions)	104.9	138.8	163.4	187.0
Inflation	12.8	21.2	29.6	38.0
Demand & demographic pressures	20.0	25.0	30.0	35.0
Borrowing cost - refinancing short term debt	2.0	3.0	3.0	3.0
Government grants	0.6	1.2	1.8	2.4
Business Rates	4.4	4.5	4.6	4.7
Council Tax	1.6	3.2	4.8	6.4
Economic Demand and Pressures Budget	2.5	5.0	7.5	10.0
Net Change	43.9	63.1	81.3	99.5
Updated deficit	148.8	201.9	244.7	286.5
Worst Case Assumptions				
1. Inflation - 6.5% pay inflation (rather than 2%) and 25% further non-pay inflation for 2025-26. 5% pay inflation and 25% further non-pay inflation for future years.				
2. Demand & demographic pressures - £20m more in 2025-26 and £5m more in future years.				
3. Refinancing of short-term debt - interest rate increasing by 2% in 2025-26 and further 1% in 2026-27 (assumes £100m refinancing).				
4. Government grants - assuming no inflationary increase per annum (compared to 1% in MTFS).				
5. Business rates - assume funded at the 'safety net level'. Risk of economic downturn.				
6. Council tax - assume nil tax base growth (compared to 0.59%) owing to increase in council tax support discounts.				
7. Economic Demand and Pressures Budget - extra £2.5m required each year on top of £5m in MTFS.				