

APPENDIX 3

MEDIUM TERM FINANCIAL PLAN 2009-13
RISK ASSESSMENT TO DETERMINE MINIMUM PRUDENT GENERAL RESERVE

Type	Risk	Consequence	Scale	Financial loss £M	Likelihood %	Annual risk £M	Period (years)	Where provided	Reserve required £M
Economy	Deeper / longer recession	No growth in Council Tax base	£0.4M per 1% reduction	0.4	80	0.320	4	Base revenue budget	
	Deeper / longer recession	Lower Council Tax base	£0.4M per 1% reduction	0.4	10	0.040	3	Reserves	0.120
	Deeper / longer recession	Lower collection of Council Tax;	£0.4M per 1% reduction	0.4	25	0.100	3	Reserves	0.300
	Deeper / longer recession	Reduced revenue income: - Leisure Parking Planning Property	£0.075M per 1%; assess risk of further 10% (£0.2M reduction in base budget)	0.8	15	0.120	3	Reserves	0.360
	Deeper / longer recession	Failure of significant service-provider contractors	£20M p.a. corporately; assess risk of 2.5% increase	0.5	20	0.100	4	Reserves	0.400
	Deeper / longer recession	Unable to realise capital receipts	£11M	1.1	90	1.000	4	Base revenue budget	
	Interest rates reduce	Lower investment interest	£0.4M per 1% reduction	0.4	90	0.360	2	Base revenue budget	
	Interest rates reduce further than budgeted	Lower investment interest	£0.4M per 1% reduction	0.4	10	0.040	2	Reserves	0.080
	Break insurance long term agreement	Increase in revenue costs		0.5	50	0.250	4	Reserves	1.000

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	Energy costs significant further increases	Higher annual revenue costs		0.4	20	0.080	3	Reserves	0.240
	Reduced Government grants	Lower annual revenue resources	£0.360M per 1%	0.4	25	0.100	2	Reserves	0.200
Employment	Higher pay settlements	Higher costs across all services;	General Fund exc. Schools £0.5M per 1%	0.5	20	0.100	4	Reserves	0.400
	Single Status potential claims	One-off costs	£10M	10	10	1.000	1	Reserves	1.000
	Flu pandemic or similar event	Increased employee absence requiring cover at extra cost	£0.5M per 1% of employee costs	0.5	15	0.075	1	Reserves	0.075
Services	New Children's care packages	Higher costs	Average £0.1M per case; 5 cases	0.5	20	0.100	4	Reserves	0.400
	Social care overspends	Higher annual revenue costs		1.0	15	0.150	3	Reserves	0.450
	Other revenue overspends	Higher annual revenue costs		0.5	10	0.050	3	Reserves	0.150
	Capital overspends	Fund from revenue (no capital resources available)	One-off	3.0	10	0.300	1	Reserves	0.300
General	Planned savings not achieved	Higher annual revenue costs	£0.6M per 10%	0.6	15	0.090	4	Reserves	0.360
	Corporate manslaughter	Unlimited fine	Assess risk of £10M fine	10.0	1	0.100	1	Reserves	0.100
Total General Reserve requirement									5.935

The recommended Prudent Minimum General Reserve Required to Meet Assessed Financial Risks is £6M