

APPENDIX 5

MEDIUM TERM FINANCIAL PLAN 2010-14  
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
Economic	Deeper / longer recession	Lower Council Tax base – NB see “Key Assumptions” Appendix	£0.4M per 1% reduction	0.4	10	0.040	2	Reserves	0.080
	Deeper / longer recession	Lower collection of Council Tax;	£0.4M per 1% reduction	0.4	20	0.080	2	Reserves	0.160
	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	2	Reserves	0.240
	Deeper / longer recession	Failure of significant service-provider contractors	£20M p.a. corporately; assess risk of 5% cost increase	1.0	15	0.150	2	Reserves	0.300
	Adverse changes in interest rates	Higher financing costs	Net debt £70M; 1% = £0.7M	0.7	20	0.140	1	Reserves	0.140
	Break insurance long term agreement	Increase in revenue costs		0.5	50	0.250	2	Reserves	0.500

Type	Risk	Consequence	Scale	Financial loss £M	Likelihood %	Annual risk £M	Period (years)	Where provided	Reserve required £M
	Energy costs significant increases	Higher annual revenue costs		0.4	20	0.080	2	Reserves	0.160
	Reduced Government grants – Formula Grant	Lower annual revenue resources. NB see “Key Assumptions” Appendix	£0.4M per 1%; assess risk of further 5% reduction	2.0	20	0.400	2	Reserves	0.800
	Reduced Government grants – specific and Area Based Grants	Lower annual revenue resources. NB see “Key Assumptions” Appendix	£0.4M per 1%; assess risk of further 5% reduction	2.0	20	0.400	2	Reserves	0.800
	Higher pay settlements	Higher costs across all services;	General Fund exc. Schools £0.5M per 1%	0.5	20	0.100	2	Reserves	0.200
<b>Employment</b>	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	£0.6M per 1% of employee costs	0.6	25	0.150	1	Reserves	0.150
<b>Services</b>	New Children’s care packages	Higher costs. NB see “Key Assumptions” Appendix	Average £0.1M per case; 5 cases	0.5	20	0.100	2	Reserves	0.200
	Social care increasing demand	Higher annual revenue costs		0.5	20	0.100	2	Reserves	0.200

Type	Risk	Consequence	Scale	Financial loss £M	Likelihood %	Annual risk £M	Period (years)	Where provided	Reserve required £M
	Other services increasing demand	Higher annual revenue costs		0.5	20	0.050	2	Reserves	0.100
	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	£7M; asses risk of 20% shortfall	1.4	20	0.280	2	Reserves	0.560
	Corporate manslaughter	Unlimited fine	Assess risk of £10M fine	10.0	1	0.100	1	Reserves	0.100
<b>Total General Reserve requirement</b>									<b>5.990</b>

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