

APPENDIX B

KENNET RISK BASED REVIEW OF RESERVE REQUIREMENTS - 2006/07 and future years

Potential Risk	Magnitude	Likelihood	Risk Score	Weighting	Weighted Score	Financial Exposure	Balances Required	Comments	Maximum Score
1. Sustainability of Base Budget - i.e. is base budget sustainable at current levels? Would cover such issues as exceptional rises in fuel costs and other cost increases in excess of inflation, errors in budget preparation, over-optimistic assumptions on costs and etc.	4	3	12	1	12	203,532	152,649	1% Gross Expenditure Less HB & CT Benefits	16
2. Fees & Charges - impact of budgeted fees and charges not achieved	3	3	9	1	9	270,900	152,381	4% of Fees & Charges Budget	16
3. Investment Interest - impact of reduction in interest rates	3	3	9	0.75	6.75	140,000	78,750	0.5% Interest on £28m	12
4. Bad Debts	2	3	6	0.25	1.5	155,950	58,481	Based on 5% of Sundry Debtors Balance £3,119m	4
5. Effect of any possible minor errors on very large HB and CT Benefits estimates.	3	4	12	0.75	9	151,432	113,574	Based on 1% of CT and HB Benefits Payments	12
6. Effect on investment returns of adverse cash flow	4	1	4	0.25	1	135,000	33,750	Relates to 4.5% interest on £3m, the average level of positive cash flow during past financial years.	4
7. Vacant Posts - Significant fall in Staff Turnover	3	2	6	0.5	3	350,000	131,250	Based on 3.5% of Staff Costs	8
8. Concessionary Bus Passes - Take up greater than budgeted.	3	2	6	0.75	4.5	100,000	37,500	Difference between Government and Kennet estimate.	12
9. Litigation - cost of unplanned litigation - e.g. Planning Appeals	2	3	6	0.25	1.5	100,000	37,500	Estimated amount	4
Minimum Level of General Fund Balances Required							795,835		88