

MEDIUM TERM FINANCIAL PLAN 2011-15
RISK ASSESSMENT TO DETERMINE MINIMUM PRUDENT GENERAL RESERVE

Type	Risk	Consequence	Scale	Financial loss £M	Likelihood %	Annual risk £M	Period (years)	Reserve required £M
Economic	Economic downturn	Lower Council Tax base – NB see “Key Assumptions” Appendix	£0.4M per 1% reduction	0.4	15	0.060	2	0.060
	Economic downturn	Lower collection of Council Tax;	£0.4M per 1% reduction	0.4	20	0.080	2	0.160
	Economic downturn	Reduced revenue income: - Leisure Parking Planning Property	£0.075M per 1%; assess risk of further 5%	0.4	15	0.060	2	0.120
	Economic downturn	Failure of significant service-provider contractors	£20M p.a. corporately; assess risk of 10% cost increase	2.0	15	0.300	2	0.600
	Adverse changes in interest rates	Higher financing costs	Net debt £70M; 1% = £0.7M	0.7	20	0.140	1	0.140
	Break insurance long term agreement	Increase in revenue costs		0.5	50	0.250	2	0.500
	Energy costs significant increases	Higher annual revenue costs		0.4	20	0.080	2	0.160

Type	Risk	Consequence	Scale	Financial loss £M	Likelihood %	Annual risk £M	Period (years)	Reserve required £M
	General price inflation	Higher annual revenue costs	£30M; assess risk of 2%	0.6	25	0.150	2	0.300
	Reduced Government grants – Formula Grant	Lower annual revenue resources. NB see “Key Assumptions” Appendix	£0.4M per 1%; assess risk of further 2% reduction	0.8	20	0.160	2	0.320
	Reduced Government grants – specific	Lower annual revenue resources. NB see “Key Assumptions” Appendix	£0.1M per 1%; assess risk of further 5% reduction	0.5	20	0.100	2	0.200
Employment	Higher pay settlements	Higher costs across all services;	General Fund exc. Schools £0.6M per 1%	0.6	20	0.120	2	0.240
	Single Status potential claims	One-off costs	£10M	10	10	1.000	1	1.000
	Pandemic or similar event	Increased employee absence requiring cover at extra cost	£0.6M per 1% of employee costs	0.6	20	0.120	1	0.120
Services	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	0.200
			Average £0.02M per case; 10 cases	0.2	20	0.080	2	0.160
	Social care increasing demand	Higher annual revenue costs		0.5	20	0.100	2	0.200
	Other services increasing demand	Higher annual revenue costs		0.5	20	0.050	2	0.100

Type	Risk	Consequence	Scale	Financial loss £M	Likelihood %	Annual risk £M	Period (years)	Reserve required £M
	Capital overspends	Fund from revenue (no capital resources available)	One-off £5M funded over 10 years	0.6	10	0.060	2	0.120
General	Planned savings not achieved	Higher annual revenue costs	£13M; asses risk of 20% shortfall	2.6	20	0.520	2	1.040
	Corporate manslaughter	Unlimited fine	Assess risk of £10M fine	10.0	1	0.100	1	0.100
Total General Fund Reserve requirement								5.840

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