

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 |

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|------------|--|---|---|----------------------|-----------------|-------------------|-------------------|----------------|------------------------|
| | 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 |
| Employment | 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 |
| | 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 |
| 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 | Reserves | 0.200 |
| | Social care increasing demand | Higher annual revenue costs | | 0.5 | 20 | 0.100 | 2 | Reserves | 0.200 |

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|--|----------------------------------|--|----------------------------------|----------------------|-----------------|-------------------|-------------------|----------------|------------------------|
| | 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 |
| Total General Reserve requirement | | | | | | | | | 5.990 |

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