

Appendix 8

A robust level of reserves is guided by an assessment of potential risks

| Risk Assessment to inform Cheshire East General Reserves ~ 2009/2010 | | | |
|---|---|---------------------------------|-------------------------------|
| Class of Risk | Affect on budget / mitigating Action | August 2010 Update £ | 2009/2010 Budget £ |
| Health & Safety | Increased cost to reduce further risk of breach / Robust risk assessments | £100,000 | £100,000 |
| | Substantial disruption to income streams / Robust disaster recovery | £50,000 | £50,000 |
| | Cost of new advertising to regain confidence / Effective Communication Plans | £10,000 | £10,000 |
| | Additional advertising costs to attract staff / Employment options on standby | £20,000 | £20,000 |
| Fire / Structural damage / Epidemic | Premises not operational / Robust disaster recovery plan | £100,000 | £100,000 |
| | High staff sickness & absence costs / raise awareness of safety measures | £920,000 | - |
| | Budget growth to cover premiums or self insurance costs / Good claims management | £25,000 | £25,000 |
| Budget Pressures | Fall of rates by 1% / manage long and short term investment strategy | £0 | £60,000 |
| | Up to 5% loss of income from fees & charges from local economic pressures / prudent income targets, close in year monitoring | £1,400,000 | £1,000,000 |
| | Reduced cashflow / prudent cashflow projections, sound recovery strategy | £54,000 | £81,000 |
| | 0.5% increase in spending in People Block / lean working Sept 2009: Now reflected as In-Year emerging issues below | £0 | £936,000 |
| | In-Year emerging issues / Robust plans and monitoring of progress | £7,500,000 | £750,000 |
| | Reduction in reserves / targeted staff reductions Sept 2009: Further Voluntary Redundancy | £4,000,000 | - |
| | Loss of the maximum value held with one institution / strong counterparty management | £0 | £2,500,000 |
| | Heritable Bank Investment | £0 | £4,000,000 |
| | Impact on opening balances / apply prudent assumptions to opening balances | £180,000 | £1,800,000 |
| | Budgets overspend / Robust plans and monitoring of savings progress Sept 2009: now reflected as In-Year emerging issues above | £0 | £401,000 |
| | Sept 2009: Potential shortfall in medium term financial strategy / early planning and consultation | £2,650,000 | |

| | | | |
|--|--|-------------|--------------------|
| | Increase in exceptional inflation items / good contract management | £0 | <i>£523,000</i> |
| ICT & Security | Up to 10% fine on turnover / robust security processes | £234,000 | <i>£468,000</i> |
| | ICT service days to repair, loss of service / robust security policies and firewalls | £50,000 | <i>£50,000</i> |
| Industrial relations / External organisations failure | Loss of income, costs of providing essential services or direct costs of resolution, reduced pay budget / emergency planning | £50,000 | <i>£50,000</i> |
| Strategic Reserve | Sept 2009: Extended due to potential need for further invest to save options | £5,850,000 | <i>£4,680,000</i> |
| | OVERALL RISKS | £23,193,000 | <i>£17,604,000</i> |
| | | | |
| | % of Net Revenue Budget | 9.9% | 7.5% |

Source: Budget 2009/2010, Cheshire East Finance July 2009