

APPENDIX A TO REPORT DSFRA/18/18

Risk Assessment of the Adequacy of General Reserves

Budget Head	Budget Provision 2018-19 £m	RISK	Likelihood	Impact £m	Net Impact £m
Wholetime Pay Costs	28.7	Wholetime Pay represents nearly a third of Service costs. There is a high level of uncertainty around future pay increases, particularly whether pay awards will be linked to a change to the Firefighter role map to include emergency medical response, which might attract a 5% Pay award. An unfunded pay award of 3% has been factored in to the budget for 2018-19.	Medium	0.573	0.287
		Overspend due to supernumerary staff whilst Change Programme is developed	High	1.000	0.750
Retained Pay Costs	12.8	A significant proportion of costs associated with retained pay is directly as a result of the number of calls responded to during the year.	Low	1.282	0.321
		There is a high level of uncertainty around future pay increases, particularly whether pay awards will be linked to a change to the Firefighter role map to include emergency medical response, which might attract a 5% Pay award	Medium	0.256	0.128
Major Incident - Belwin		A major incident occurs which qualifies for central government funding under the Belwin Scheme - the first 2% of budget, or £0.146m is funded by the Local Authority.	Low	0.146	0.037
Firefighter's Pensions	2.7	The Authority is required to fund the costs associated with ill-health retirements, and the potential costs of retained firefighters joining the scheme. There were fewer retirees than budgeted in 2017-18 which has increased the likelihood of those individuals retiring in 2018-19.	High	0.500	0.375
Insurance Costs	0.8	The Fire Authority's insurance arrangements require the authority to fund claims up to agreed insurance excesses. In addition some uninsured costs such as any compensation claims from Employment Tribunals carry a financial risk to the Authority. The Insurance Mutual holds a reserve which will enable the pool to absorb a reasonable level of claims.	Low	0.500	0.125
Fuel Costs	0.7	As fuel prices are slowly starting to increase it is highly possible that inflationary increases could be in excess of the budget provided.	High	0.175	0.131
Treasury Management Income	(0.2)	Reduced Interest Income, rates to 0%. The target income for 2018-19 has been set at a prudent level of achieving only a 0.6% return on investments.	Low	0.201	0.050
Income	(0.7)	Whilst the authority has only limited ability to generate income, the budget has been set on the basis of delivering £0.7m of external income whilst setting the reliance on the Service budget for Red One Income at £0.3m. Due to economic uncertainty this budget line may be at risk.	Low	0.348	0.087
Capital Programme	10.3	Capital projects are subject to changes due to number of factors; these include unforeseen ground conditions, planning requirements, necessary but unforeseen changes in design, and market forces. The risk of contract deviation up to 10% of value.	Low	1.030	0.258
Business Rates	(0.9)	There is a high degree of uncertainty over levels of Retained Business rates income and the method of allocation between funding and revenue grants in future years.	Low	0.225	0.056
External Contracts		The Authority has a wide range of contractual arrangements which could see a financial loss in the event of the bankruptcy of a supplier or a customer. The Authority maintains a bad debt provision based on aged debtor analysis but it would be insufficient to fully fund a loss from a major contract. Additionally, Public Sector procurement processes and contracts are coming under increasing scrutiny and could be open to legal challenge.	Low	2.000	0.500

Budget Head	Budget Provision 2018-19 £m	RISK	Likelihood	Impact £m	Net Impact £m
Legal Issues		Given the nature of the work of the Authority there is a possibility that it could suffer a major health and safety or environmental failure.	Low	3.000	0.750
System/ Infrastructure Issues		In the event that a key system, such as the control mobilising system or system networks, were to fail, it is possible that urgent consultancy or replacement equipment would be required within short time constraints.	Low	1.500	0.375
Funding Issues		The changes to the funding mechanism for local government, introduced following the Local Government Resource Review, transferred potentially significant levels of financial risk to the Authority.	Medium	1.000	0.500
Inflation		Whilst allowances for inflation have been made within specific budget lines, generally at 2.7% per annum, the uncertainty surrounding Brexit and the UK economy might lead to increased inflation.	Medium	0.200	0.100
Employment Issues		Issues that might arise in respect of pay settlements or other factors which might lead to industrial action would, in the first instance, be managed within the revenue budget. Prolonged Action or issues would require funding from Reserves.	Medium	1.000	0.500
Estimated Reserve Requirement					5.329