

**General Balances & Reserves - Risk Assessment 2019-20**

**Item 19/06 Appendix D Annex 1**

Budget	Budget Provisions 2019-20 £m		Impact	Likelihood	Risk	Risk	2019-20 £m	Commentary
			4=Major 3=Serious 2=Moderate 1=Minor	4=Very Likely 3=Likely 2=Unlikely 1=Very Unlikely		>8=High 5-8=Medium <5=Low		
Wholetime and On-call Pay	31.437	Increase in employer contribution rates for the 1992, 2006 and 2015 Firefighters Pension Schemes	4	4	16	High	0.450	Employer contributions for firefighter pensions total around <b>£3.2m</b> per year in Dorset & Wiltshire Fire and Rescue Service. The Government Actuary's Department's latest valuation of the Firefighters Pension Schemes has meant that significant increases have been proposed for employers contributions for 2019-20 and onwards. A contingency of 2% of the uniform employee paybill is assessed for any variation.
Wholetime and On-call Pay	31.437	Risk of industrial action/inability to respond to emergency incidents	3	3	9	High	0.200	This continues to be a very high risk given the financial pressures on all public sector organisations, the likelihood of further cuts in funding and potential for service changes, public sector pay negotiations and changes to public sector pensions. Amount based on historic costs. A nominal sum is assessed for sustained industrial action and business continuity measures.
Pay	43.614	Under-estimate of pay awards by 1.0%	3	3	9	High	0.450	The revenue budget allows for pay awards of 2%. Given that there have already been several years of pay restraint and inflation is still running above the Government's target of 2%, it would be prudent to recognise this as a high financial risk. £450k would cover the full year effect of a 1% variation across all staffing groups.
On-call Pay	8.235	Impact on the On-call pay budget of large scale incidents or others periods of high activity such as those due to spate weather conditions	3	3	9	High	0.410	These sorts of events can all lead to significant increases in operational activity. As a largely On-Call "pay as you go" Service, this represents a particular risk to Dorset & Wiltshire and allowance needs to be made for increased activity and costs by On-Call firefighters. The budget for On-Call firefighting is approximately £8.2m, so £410k represents around a 5% variation.
External Funding - Government	-14.007	Future reductions in Government funding are worse than planned/forecast	4	2	8	Medium	0.280	Previous Medium Term Financial Plans (MTFP) assumed reductions in Government funding in 2019-20 of 2.3%, on top of the 9%, 12% and 6% incurred in previous years 2016-17 to 2018-19. We are assuming 5% each year beyond 2019/20. A 2% variation would equate to roughly £280k.
External Funding - Precepts	-41.763	Collection rates for council tax and business rates, collection fund surpluses/deficits, taxbase and the impact of localised support for council tax are worse than forecast	3	2	6	Medium	0.400	Changes to the funding mechanism, including income from council tax and business rates from billing authorities, are becoming more volatile presenting new funding risks for the major precepting authorities. Our taxbase (equivalent Band D properties) is approximately 550k and a variation of 1% could result a loss of more than £400k in income, plus the likelihood of Collection Fund deficits.
On-call Pay	8.235	Increased take up of pension entitlement by On-call Duty System personnel	2	3	6	Medium	0.100	Our revenue budgets do not allow for an increase in pension uptake, but this risk is more likely to materialise now, as a result of "automatic enrolment" and increasing numbers.
Legal Fees	0.117	Uninsured risks and / or unfavourable outcome to any legal action taken against the Authority - including health and safety risks, procurement challenges, employment issues, etc	2	2	4	Low	0.100	The Authority maintains comprehensive insurance arrangements but these cannot cover all possible risks or potential legal claims. For instance, there are some uninsured risks not covered, such as equal pay, negligence or discrimination claims.
Major Incident - Bellwin	N/a	Contribution to major incident not covered by Bellwin	2	2	4	Low	0.110	In the event of further incidents occurring in Dorset or Wiltshire that would be subject to a Bellwin Scheme claim the Authority would be required to make meet the initial costs up to the threshold, a contribution equivalent to 0.2% of its revenue budget, equating to approximately £110k.
Non-pay	12.230	Failure to adequately provide for non-pay inflation	1	4	4	Low	0.100	Our budgets allow for a small element of general price inflation (1%) as well as specific contractual inflation in certain circumstances, however in the main, budgets are cash limited with no inflationary increase. This is not sustainable in the longer term.
Total Costs	55.845	General contingency for unidentified items	3	2	6	Medium	0.250	Given the current level of budget cuts and forecast future reductions there is a risk that the Service would be unable to manage a significant one off cost not covered specifically above. This could, for example, be a requirement to undertake some major unplanned property works. The combined assessment is less than the two individual assessments on the basis that the larger revenue budget provision should provide more scope to deal with significant in-year variations.

**General Balances Risk Assessment (£m) 2.850**

**Budget 19-20 (£m) 55.845**

**General Balances Risk Assessment/Budget as a percentage(%) 5.10%**