

## Risk assessed reserves for new CFA

| Risk  | Dorset<br>2015/16 | Wiltshire<br>2015/16 | Combined<br>2015/16 | Commentary |  |
|---|-------------------|----------------------|---------------------|------------|--|
|   |                   |                      |                     |            | £'000s   |
| Underestimate of pay awards by 1.0%   | High              | 230                  | 180                 | 400        | The revenue budget allows for pay awards of 2% from 2015/16 onwards. 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. £400k would cover the full year effect of a 1% variation across all staffing groups given a combined pay budget of around £40m.                         |
| Impact on the retained pay budget of large scale incidents or others periods of high activity such as those due to spate weather conditions | High              | 300                  | 230                 | 400        | These sorts of events can all lead to significant increases in operational activity. As a largely retained, "pay as you go" services, this represents a particular risk to Dorset and Wiltshire and allowance needs to be made for increased activity and costs by retained firefighters. The joint budget for retained activity paid for on an activity basis is approximately £2.7m, so £400k represents around a 15% variation. |
| Recruitment of Retained Duty System (RDS) personnel to full establishment levels  | Low               | 150                  | 0                   | 0          | For Dorset this represents around 10% of the annual budget provision. Given the continued difficulties faced by FRS's in recruiting and retaining RDS staff this risk is un <b>LIKELY</b> to materialise and has been removed from the combined risk assessment.   |
| Risk of industrial action/inability to respond to emergency incidents   | High              | 100                  | 100                 | 250        | 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 freezes and changes to public sector pensions. Amount based on historic costs 2013/14.  |

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|---|--------|-----|----|-----|--|
| Failure to adequately provide for non-pay inflation   | Low    | 30  | 50 | 100 | Our budgets allow for a very small element of general price inflation 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.   |
| Increase in employer contribution rate for the 1992 Firefighters Pension Scheme and 2006 New Firefighters Pension Scheme  | Medium | 100 | 90 | 200 | Employer contributions for firefighter pensions total around £3.7m per year in Dorset and Wiltshire. The Government is yet to publish the results of the latest valuation of the Firefighters Pension Schemes or full details of the proposed 2015 Firefighters Pension Scheme. There is a risk that employer contribution rates could be increased. This sum would cover the first year costs of a 1% increase. |
| Increased take up of pension entitlement by Retained Duty System personnel  | Medium | 30  | 50 | 100 | Our revenue budgets do not allow for an increase in pension uptake, but this risk is more <b>LIKELY</b> to materialise now, as a result of “automatic enrolment”.  |
| Uninsured risks and / or unfavourable outcome to any legal action taken against the Authority - including health and safety risks, procurement challenges, employment issues, etc | Low    | 50  | 50 | 100 | The new Authority will maintain 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.  |
| Contribution to major incident not covered by Bellwin   | Low    | 60  | 50 | 110 | In the event of an incident occurring in Dorset or Wiltshire that would be covered by the Bellwin Scheme the Authority would be required to make a contribution equivalent to 0.2% of its revenue budget, plus 15% of the amount spent over the threshold of £50k.   |

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|--|------|-----|-----|-----|--|
| 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 | High | 100 | 200 | 300 | Following the introduction of the new business rates retention funding system and other new initiatives such as localised support for council tax, collection rates and assumptions made by billing authorities are more volatile and this presents new funding risks for the major precepting authorities. Our combined taxbase under the new system is currently just over 500,000 and a variation of less than 1% would result on the loss of more than £300k in income, plus the likelihood of Collection Fund Deficits.   |
| Future reductions in Government funding are worse than forecast  | High | 200 | 200 | 400 | The Government announced in its Spending Round 2013 expected levels of funding reductions for local authorities, in addition to those of CSR2010. The Medium Term Financial Strategy assumes reductions in government funding of 8% in 2015/16 and further cuts of 5.5% each year from 2016/17 to 2019/20 but this may prove to be inadequate. The LGA's latest predictions suggest funding cuts of 8% in 2016/17 and 7.5% thereafter. Joint funding for 2015/16 is estimated at £19.6m so a 2% variation would equate to roughly £400k.                               |
| General contingency for unidentified items   | High | 150 | 250 | 300 | Neither revenue budget makes any provision for in-year financial contingency. 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. |

**1,500**

**1,450**

**2,660**

**General Balances Risk Assessment**