

## report

meeting	<b>NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE &amp; RESCUE AUTHORITY</b>	
date	<b>23 February 2007</b>	agenda item number

### REPORT OF THE CHIEF FIRE OFFICER

#### WORKING BALANCES

##### 1. PURPOSE OF THE REPORT

To present to Members a report submitted to the Finance and Resources Committee for approval which is now recommended to Authority for approval.

##### 2. BACKGROUND

2.1 Members will be aware that the Fire Authority holds a level of working and other balances to meet specific risks and liabilities arising from operations and activity.

2.2 The Authority Treasurer is required to take a view as to the adequacy of these balances and make recommendations to the Authority as to the levels required. The Treasurer therefore has been fully consulted on the matter and is supportive of the levels of balances recommended.

2.3 Notwithstanding this however a report on the Revenue Budget Monitoring, also referred from Finance and Resources Committee makes recommendations for the levels of balances to be increased slightly over the amounts set out in this report and these recommendations in turn feed into the main budget report for 2007/8 and beyond.

2.4 The full report as submitted to the Finance and Resources Committee is attached in full as Appendix A.

##### 3. FINANCIAL IMPLICATIONS

The financial implications are set out in full within the body of the attached report.

##### 4. PERSONNEL IMPLICATIONS

There are no personnel implications arising from this report.

##### 5. RISK MANAGEMENT IMPLICATIONS

The process of creating balances and reserves is a significant risk control measure for the Service. Without sufficient balances upon which to call in times of difficulty the Service would be regarded as financially unstable.

##### 6. EQUALITY IMPACT ASSESSMENT

An initial assessment has revealed there are no equality issues arising from this report.

**7. RECOMMENDATION**

That Members approve the levels of balances recommended by the Finance and Resources Committee as set out in the attached report.

**8. BACKGROUND PAPER FOR INSPECTION**

None

Paul Woods  
**CHIEF FIRE OFFICER**

## report

meeting	<b>NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE &amp; RESCUE AUTHORITY</b>	
	<b>FINANCE AND RESOURCES COMMITTEE</b>	
date	<b>12 JANUARY 2007</b>	agenda item number

**REPORT OF THE CHIEF FIRE OFFICER****WORKING BALANCES****1 PURPOSE OF THE REPORT**

The purpose of this report is to seek the approval of the Finance and Resources Committee to the levels of reserves and balances sufficient to meet the needs of the Fire Authority during the 2007/08 financial year and beyond.

**2 BACKGROUND**

Members will be aware that the Fire Authority holds a level of working and other balances and reserves to meet specific risks and liabilities arising from operations and activity.

It is always difficult to estimate the level at which reserves and balances should be maintained, however a general "rule of thumb" is that a figure of 5% of annual revenue budgets would be sufficient. On current budgets this would suggest a figure of £2m.

As in previous years, a risk based approach has been taken to determine a reasonable level of balances. Based on this approach, the level of reserves required was judged to be £2.0m, as reported to Members in February 2006.

The risk assessment was reviewed and reported to Members in February 2006 and the result of this review was a recommended level of balances of £2.0m.

**3 RISK BASED APPROACH**

3.1 The risk assessment carried out in 2005/06 has been reviewed and is attached at Appendix A to enable Members to see clearly the risks that the Service is exposed to and give some confidence in the levels of budget cover available.

3.2 This approach examines each of the risk exposures and considers both the impact on the Service and the likelihood of occurrence. A risk score has been allocated to each risk which is then ranked from 1 (the lowest factor) to 5 (the highest). This is done for both likelihood and impact in order to give an overall risk factor. It should be noted that the underlying assumption is that not all these risks will occur simultaneously.

3.3 The approach also considers the extent to which these financial risks can be transferred to the private sector by way of insurances thus creating a balance of both insured and self financed risk.

- 3.4 Residual risk is the extent to which the Authority remains exposed to risks which are neither insured nor provided for within balances and reserves. The level of acceptable residual risk is usually referred to as the "Risk Appetite" of the Service. The Authority has already determined that it wishes to adopt a low risk appetite at present.
- 3.5 The full results of the risk evaluation review exercise show that there has been no significant change in the overall value of risk since February 2006.
- 3.6 The actual level of reserves as at 31 March 2006 was £2.086m however contributions were made both to and from balances during 2006/7 which reduced this balance to £1.676m. Budget plans for 2007/8 and 2008/9 are in place to increase this figure to £2.0m as required.
- 3.7 It is proposed however that budget underspendings already identified in 2006/7 are used to raise the levels of balances much earlier than planned, which will remove the requirement to make revenue contributions thus minimizing the effects on revenue budgets and therefore Council Tax.

#### **4 FINANCIAL IMPLICATIONS**

The financial implications are set out in full within the body of the report.

#### **5 PERSONNEL IMPLICATIONS**

There are no personnel implications arising from this report.

#### **6 RISK MANAGEMENT IMPLICATIONS**

The process of creating balances and reserves is a significant risk control measure for the Service. Without sufficient balances upon which to call in times of difficulty the Service would be regarded as financially unstable.

#### **7 EQUALITY IMPACT ASSESSMENT**

There are no equality implications arising from this report.

#### **8 RECOMMENDATION**

That Members recommend the proposed level of balances to Fire & Rescue Authority.

#### **9 BACKGROUND PAPER FOR INSPECTION**

None

Paul Woods  
**CHIEF FIRE OFFICER**

<b>CONTACT OFFICER</b>	
Name :	Neil Timms Head of Finance & Resources
Tel. No :	0115 967 0880
E-mail :	neil.timms@notts-fire.gov.uk

**APPENDIX A**

Risk Category	Identified Hazard	Risk	Likelihood	Impact	Control Measure	Insurable	Risk Factor	Risk Value £	Reserves £	Revenue £
Legal	Sex, race or disability discrimination case	Reputational Damage. Potential Costs of up to £250,000	5	5	Policies, Training, Procedures, Monitoring, Equality Officer	N	25 2 in 5yrs	100,000	100,000	0
	Environmental protection case	Reputational Damage. Potential Costs of up to £250,000	3	5	Partnership with Environment Agency	N	15 1 in 5 yrs	50,000	50,000	0
	Negligent Fire Safety Work	Litigation	2	5	Training	Y	10 1 in 5yrs	2,000		2,000
	Asbestos Claims and Exposures	Litigation	4	3	Operating Procedures	Y	12 1 in 5yrs	2,000		2,000
	Personal Injury to Staff	Litigation	5	3	H&S interventions	Y	15 4 p.a	40,000		40,000
	Attacks on Staff	Absence, Litigation	4	3	SOPs, working practices	Y	12 1 in 5yrs	2,000		2,000
	Stress Claims	Possible ET	4	4	Support Systems	Y	16 1 in 2yrs	5,000		5,000
	Re-ignition or other negligence	Reputational	3	5	Operating Procedures	Y	15 1 in 5yrs	2,000		2,000
Pay Budgets	Hot Summers	Increased Retained Call Outs	2	5	None	N	10 over 5 yrs	100,000	100,000	0

Risk Category	Identified Hazard	Risk	Likelihood	Impact	Control Measure	Insurable	Risk Factor	Risk Value £	Reserves £	Revenue £
	Higher than expected pay awards	Large hit on pay contingency	4	5	Maintain adequate general contingency	N	20 over time 2% error	400,000	400,000	0
	Flooding Risk	Increased Retained Call outs	2	5	None	N	10 over 5yrs	100,000	100,000	0
	Ill Health Retirements	Underestimate number	3	5	Base estimate on experience	N	15	300,000	300,000	0
Property	Discovery of major structural problem	Unexpected costs, loss of use	3	3	Structural survey AMP	N	9 over 5 yrs	100,000	100,000	0
	Fire or other peril	Loss of use	2	2	Precautions	Y	4	0	0	0
	Theft of Assets	Disruption	5	3	Security procedures	Y	15 10 incidents	2,500	0	2,500
	Own Damage	Disruption	5	2	Risk Management	Y	10 1 incident	0	0	0
Transport	Accidental Damage	Loss of use	5	5	Training, Procedures	Y	25 30 incidents	30,000		30,000
	Serious Injury to Public	Reputation, Cost, Staff Time	4	5	Training and Procedures	Y	20 1 in 5yrs	5,000	5,000	0
	Serious Injury to Staff	Cost, Staff time	4	5	Training and Procedures	Y	20 1 in 5yrs	5,000	5,000	0

Risk Category	Identified Hazard	Risk	Likelihood	Impact	Control Measure	Insurable	Risk Factor	Risk Value £	Reserves £	Revenue £
	Major Vehicle Defect (fleet wide)	Loss of use, increased costs	2	5	None	N	10 1 in 5 yrs	20,000	20,000	0
	Increase in fuel prices	Increased Costs	4	3	None	N	12 general	10,000	10,000	0
	Legislative Change	Vehicle Modifications required	1	4	Currency of staff	N	4 1 in 10yrs	4,000	4,000	0
Equipment & PPE	Change in legislation	May require wholesale change in equipment	1	5	Usually not without notice	N	5 1 in 5yrs	10,000	10,000	0
	Major Defect	Increased Costs	2	5	Inspection routines	N	10 1 in 5yrs	10,000	10,000	0
Financial	Major Fraud	Cost	1	2	Internal Control	Y	2	0	0	0
	Significant Increase in interest rates	Increased Costs	4	3	None	N	12 1 in 10yrs	5,000	5,000	
	Failure of Major Borrower	Significant Cash Loss	2	5	Borrower Selection	N	10 1 in 10yrs	100,000	100,000	
	Failure of Financial Systems	Threat to Service	2	4	Contingency Plans	N	8	0	0	0

Risk Category	Identified Hazard	Risk	Likelihood	Impact	Control Measure	Insurable	Risk Factor	Risk Value £	Reserves £	Revenue £
Technological	Major WAN Failure affecting mobilisation	Loss of Use, potential life risk	3	5	Contingency plans, alternate methods	N	15	0	0	0
	Admin WAN Failure	Loss of use	3	3	Maintenance and Support	N	9 1 in 5 yrs	5,000		5,000
	Sabotage	Loss of use	2	5	Security measures	N	10	0	0	0
	Theft of Equipment	Loss of use/data	5	5	Security measures	Y	25 1 in 5yrs	5,000	5,000	0
	Breach of Security	Loss of confidential data	2	5	Security Measures	N	10 1 in 5yrs	5,000	5,000	0
	Radio System failure	Loss of Comms	4	5	Alternate procedures, phones etc.	N	20 1 in 10yrs	1,000	1,000	0
Physical	Major CBRN Incident	Drain on regional resources, inability to respond	2	5	Policies, agreements, national guidelines etc.	N	10 1 in 10 yrs	10,000	10,000	0
	Terrorist attack on Emergency Services	Major loss of function	2	5	Contingency plans	Y	10 1 in 10 yrs	0	0	0
	Natural Disaster	Drain on resources	1	5	2.12 arrangements	N	5 1 in 10 yrs	15,000	15,000	0



Risk Category	Identified Hazard	Risk	Likelihood	Impact	Control Measure	Insurable	Risk Factor	Risk Value £	Reserves £	Revenue £
	Multiple large incidents	Drain on resources inability to respond	3	5	2.12 arrangements	N	15	15,000	15,000	0
Other	Loss of Trading income	Reduced income for service	3	3	Budget monitoring and forecasting	N	9 1 in 10 yrs	25,000	25,000	0
	Loss of sponsorship funding	Risk to service and reputation	4	2	Careful assessment of projects	N	8	25,000	25,000	0
	Loss of one or more key personnel	Disruption, temporary cover,	2	4	Documentation of key procedures and systems	N	8 1 in 5yrs	40,000	40,000	0
	Major personal litigation	Disruption	3	3	H&S Procedures etc.	Y	9	0	0	0
	Change in legislation	Increased costs	4	4	None. Awareness	N	16 1 in 5yrs	10,000	10,000	0
	Industrial dispute. Local/ National	Potential loss of service	5	5	Maintain adequate contingency	N	25 1 in 5yrs	500,000	500,000	0
									<b>1,970,000</b>	