

Risk Analysis - 2019/20 Annual Revenue Budget

	RISK DESCRIPTION	RISK ASSESSMENT			SENSITIVITY
		Likelihood	Impact	Total	
1	That specific grant income, when confirmed, is lower than currently assumed in the draft budget	2	4	8	We are still waiting for confirmation of specific grants estimated £11.9m in 2019/20
3	That the 2019 police officer pay award is higher than the 2% allowed for within the budget	2	4	8	This is a part year award, so is only payable for 7 months. Each additional 1% increase in pay award will cost £2.0m per annum
3	The Force is unable to deliver, in full, the £4.8m of cash savings removed from the base budget by the year-end.	2	3	6	The residual risk is that we won't deliver the full £4.8m, e.g. a couple of £m shortfall or slippage. Although the Force has an excellent track record of managing expenditure within reduced budgets, this process is obviously becoming more challenging and complex, particularly as demands (e.g. child abuse, threat of terrorism etc.) are increasing.
4	That inflation exceeds the levels currently provided for in the draft budget	2	2	4	In total inflation is estimated to add £10.7m to the base budget in 2019/20, which equates to an average increase of 2.62%. A 1% increase in general inflation (up from the 1.8% currently provided for) will add £0.58m
5	That the Police & Crime Panel vetoes the PCC's proposed £24 (or 13.2%) increase in the council tax precept	1	4	4	The PCC has consulted the public who have overwhelmingly (70% of respondents) supported the £24 increase. Each 1% increase in council tax in 2019/20 generates £1.65m. In the event that the Panel vetoes the proposed precept increase the PCC will resubmit a revised budget and council tax proposal for the Panel to consider.

Risk Analysis - Medium Term Financial Forecast 2020/21 to 2022/23

	RISK DESCRIPTION	RISK ASSESSMENT			SENSITIVITY
		Likelihood	Impact	Total	
1	That the Force is unable to deliver the full £10.4m of identified budget cuts over the three year period 2020/21 to 2022/231 without having a serious and detrimental impact on service delivery	2	4	8	<p>The Chief Constable has produced a number of mitigating factors which could be implemented should savings prove difficult to achieve, including taking 'amber' efficiency savings or reducing the number of redeployed officers.</p> <p>Although the Force has an excellent track record of managing expenditure within reduced budgets, this process is obviously becoming more challenging and complex, particularly as demands (e.g. child abuse, threat of terrorism etc.) are increasing.</p>
2	The new 4 year Medium Term Capital Plan only includes known schemes which means that there are only a few schemes starting in 2020/21 and 2021/22. Although a notional £10m has been included in the narrative part of the report this is not yet funded. Any additional capital expenditure over and above the £70.976m currently identified with a direct impact on future year revenue budgets since any new capital investment will have to be funded via Direct Revenue Funding or external borrowing, which lead to higher debt charges	2	4	8	<p>The new capital investment requirement from 2021/22 onwards is likely to be at least £5m per annum.</p> <p>If funded through higher DRF this will have a direct £ for £ impact on the revenue budget</p> <p>If funded through borrowing each £1m will result in revenue debt charges of around £45,000 per annum depending on the asset to be financed and borrowing interest rates prevalent at the time</p>
3	Inadequate money in revenue reserves and balances to fund one-off expenditure items required by the Force	2	4	8	<p>General revenue balances are currently above the agreed 3% guideline level and forecast to remain above this level throughout the period.</p> <p>In addition the PCC has earmarked revenue reserves of around £1.3m (estimated level at 31.3.23) which could be called upon in an emergency</p>
4	That the pensions grant is not baselined and included in future grant settlements from 2020/21 onwards	2	4	8	The pensions grant is currently worth £4.3m

		Likelihood	Impact	Total	
5	That there is insufficient money in the Optimisation Bias (OB) reserve to fund increases in capital scheme costs over the next 4 years. Any additional monies would have to come from other balances (but limited scope) or additional revenue contributions	2	3	6	The OB assessment for schemes in the new 4 year capital plan is £12.769m but the OB reserve is 28% (or £3.64m) lower at £9.13m
6	That the PCC and/or Police and Crime Panel is unable to support a 2% per annum increase in council tax in 2020/21 and later years	2	3	6	Each 1% increase in council tax generates approximately £1.65m
7	That the taxbase will not grow at the assumed annual rate of 1.5% in 2020/21 and later years	3	2	6	The annual increase in 2019/20 is 1.54%, This is lower than the average increase in taxbase in the previous 5 years which was 1.8%. Each 1% increase in taxbase generates additional council tax income of around £1.65m
8	That the surplus on collection funds is less than the £1.25m per annum currently budgeted for	3	2	6	The estimated surplus in 2019/20 is lower than the last 6 years.
9	Technology – the need for investment in new and emerging technology is moving from the traditional capital based funding to more revenue based Software as a Service (SaaS), together with increasing demands for licences as staff and officers require greater access.	3	2	6	Investment strategies are being constantly reviewed to ensure that the consequential ongoing costs are provided for within the future budgetary plans as soon as possible, with the impact being offset by continued scrutiny of other costs through the productivity strategy.
10	The impact of the Brexit decision on costs and prices due to fluctuating exchange rates, and equipment and services being supplied from the EU may increase cost pressures in the future.	3	2	6	Constant monitoring of procurement and contract prices, together with a collaborative approach to contracts, should enable us to maximise the value attained from contracts and minimise the negative impact of price variations.
11	There is inadequate provision in the insurance fund and annual revenue contributions to meet liabilities as they fall due	2	3	6	The draft report from the Insurance Actuary indicated that the estimated liability at 31 st March would increase by £0.26m compared to the previous year. The Actuary has also indicated that the Force should make an annual contribution of £2.8m, which is £0.9m higher than the current budget provision. We will monitor the insurance fund very carefully and review again as part of the 2020/21 budget preparation process

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12	That future pay settlements for police officers and police staff are at a higher level than currently assumed in the MTFP	1	4	4	Pay increases are currently assumed at 2% throughout the MTFP. Each 1% increase in police officer and staff pay adds approximately £3.2m
13	That the Government reduces the level of security grant paid to the PCC in future years beyond current estimates.	2	2	4	The budgeted amount for 2019/20 is £6.8m. Future cuts in grant will be matched by a reduction in the resources provided to this area of business.
14	That due to the impact of the new police funding formula, potentially in 2021/22, future Government Grant Allocations are lower than expected, therefore requiring a greater level of revenue savings than currently planned for	1	4	4	At this stage we do not know whether a new funding formula will be introduced, when it will be implemented, what it will look like, how it will affect annual grant allocations and, finally, how it will be phased in. Each 1% reduction in police grant equates to £2.2m.
15	That the Government reduces the threshold at which a council tax referendum is required and/or the Police and Crime Panel does not support a council tax increase of 2% per annum	1	3	3	A 1% increase in council tax is equivalent to additional income, or reduced budget reductions, of around £1.65m. The Government's Spending review is predicated on PCC's increasing their council tax precept by the maximum permissible amount each year.