

Risk Analysis - 2016/17 Annual Revenue Budget

	RISK DESCRIPTION	RISK ASSESSMENT			SENSITIVITY
		Likelihood	Impact	Total	
1	The Force is unable to deliver, in full, the £15.61m of cash savings removed from the base budget by the year-end.	2	4	8	The residual risk is that we won't deliver the full £15.61m, 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.
2	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 £10.73m in 2016/17
3	That inflation exceeds the levels currently provided for in the draft budget	2	2	4	In total inflation is estimated to add £4.6m to the base budget in 2016/17, which equates to an average increase of 1.2%. A 1% increase in general inflation (up from the 1.5% currently provided for) will add £0.6m
4	That the Police & Crime Panel vetoes the PCC's proposed 1.99% increase in the council tax precept	1	3	3	Each 1% increase in council tax generates £1.3m. 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 2017/18 to 2019/20

	RISK DESCRIPTION	RISK ASSESSMENT			SENSITIVITY
		Likelihood	Impact	Total	
1	That future Government Grant Allocations are lower than expected, therefore requiring a greater level of revenue savings than currently planned for	3	4	12	The MTFP is based on a net 1% cash increase in police grant and precept income. At this stage we do not know what impact the new police funding formula will have, or what additional grant topslices (or reallocations) will be taken from police grant in 2017/18 and later years. Each 1% reduction in police grant equates to £2.15m.
2	That the Force is unable to deliver the full £20m of identified budget cuts over the three year period 2017/18 to 2019/20 without having a serious and detrimental impact on service delivery	2	4	8	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. 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.
3	Inadequate money in revenue reserves and balances to fund one-off expenditure items required by the Force	2	4	8	General revenue balances are currently above the agreed 3% guideline level and forecast to remain above this level throughout 2016/17. In addition the PCC has earmarked revenue reserves of around £11.9m (estimated level at 31.3.20) which could be called upon in an emergency
4	That the taxbase will not grow at the assumed annual rate of 1.75% per annum	3	2	6	Although the average increase in taxbase over the last 3 years is 1.9%, this is far higher than all previous years. Each 1% increase in taxbase generates additional council tax income of around £1.3m
5	That the surplus on collection funds is less than the £1.75m per annum currently budgeted for	3	2	6	Although the average annual surplus over the last five years is £1.75m, this sum exceeds the annual surplus in all years before 2014/15 when the new local council tax reduction schemes were introduced.

		Likelihood	Impact	Total	
6	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 1% throughout the MTFP in line with the Chancellors public sector pay restraint policy. Each 1% increase in police officer and staff pay adds £3m
7	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 2016/17 is £5m. Future cuts in grant will be matched by a reduction in the resources provided to this area of business as in 2016/17
8	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 £1.3m. The Government's Spending review is predicated on PCC's increasing their council tax precept by the maximum permissible amount each year.