







MPA Financial Risk Assessment

Appendix 2



Objective: Effective management of the budget, responding appropriately to the economic climate and budget pressures maximising the resources available to policing

Risk Area	Risk Causes	Impact	Control Measures	Current Risk	Further Action	Residual Risk
Insufficient Reserves	£30m invested in Landsbanki is not returned.	General reserves reduced below a prudent level.	<ul style="list-style-type: none"> Impairment in accordance with CIPFA guidance. Membership of LGA Group action for preferential status. 	Impact: M Likel'hd: M	Continue to monitor progress of cases through Icelandic Courts.	Impact: M Likel'hd: M
	2010/11 budget overspends a call on reserves.	Current overspend projected at £8m. Reduced at period 7 i	<ul style="list-style-type: none"> Continued monitoring of the budget. Voluntary Redundancy Scheme to accelerate staff reductions. 			
	Costs of redundancies exceeds reserves.	General reserves reduced below prudent level.	<ul style="list-style-type: none"> Earmarked reserves of c.£54m identified. 	A	Develop a Reserves Strategy consistent with the Borrowing Strategy.	A
Medium term financial forecast 2011/12 - budget gap currently £65m	Failure to deliver savings to balance future budgets.	Unbalanced budget.	<ul style="list-style-type: none"> Resilience contingency of £27m. Aligning strategic and financial planning effectively. 	Impact: M Likel'hd: M	Savings proposals for 2011/12 are being finalised.	Impact: M Likel'hd: M
	Failure to secure adequate level of funding, particularly due to Comprehensive Spending Review.	MPA strategic plan and policing priorities not met.	<ul style="list-style-type: none"> Realistic and accurate MPA budget submission Identify deliverable savings and monitoring impact on the budget 		CPEG/CDRP performance is being benchmarked to use best practice to manage costs.	
	Not aligning the budget to meet agreed priorities.	Poor value for money. Inefficient/waste use of resources.	<ul style="list-style-type: none"> Economic and efficient use of resources particularly in key areas such as estates, procurement, IS/IT capital programme – Met Support. Influential MPA input to and scrutiny of the productivity agenda and Service Improvement Programme. 	A	MPA Productivity working group meets regularly to progress work in this area.	A

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	<p>Not identifying and/or realising budget efficiencies and savings.</p> <p>Ineffective scrutiny and monitoring of the budget.</p> <p>MPS unable to dispose of sufficient properties. Withdrawal of third party funding.</p>	<p>Reputational damage to the MPA and MPS.</p> <p>Lack of sufficient resources for equalities and engagement work, leading to criticism/ challenge from community and/ or employee groups.</p> <p>Underfunded capital programme.</p> <p>PCSOs unfunded.</p>	<ul style="list-style-type: none"> • Effective MPA scrutiny of the MPS budget – Treasurer, Finance and Resources Committee, Resources and Productivity Sub Committee. • Effective budgetary control framework. • Effective budget contingency planning – adequate reserve provision. • Internal review activity reports on opportunities for better value for money and increased efficiencies. • Opportunities for collaboration and shared services with partners including GLA, MPS and GLA maximised. • Effective management of change programme and clear communication to staff, highlighting need to save money. • Realistic and accurate MPA budget submission. • Identify deliverable savings and monitoring impact on the budget. • Identifying opportunities for additional funding and effective lobbying for resources. 		<p>Informal budget scrutiny complete. Formal scrutiny currently being carried out. Equality impact assessments to be undertaken on both MPS and MPA budgets.</p> <p>MPA value for money strategy is under development.</p> <p>Shared services opportunities currently being explored.</p>	
<p>Insufficient funding for key areas of the business due to changes in Specific Grants</p>	<p>Specific grant rolled into general grant.</p> <p>Specific grant funding reduced.</p>	<p>Funding restricted by floor.</p> <p>10% reduction announced.</p>	<ul style="list-style-type: none"> • Economic and efficient use of resources particularly in key areas such as estates, procurement, IS/IT capital programme – Met Support. • Influential MPA input to and scrutiny of the productivity agenda and Service Improvement Programme. 	<p>Impact: M Likel'hd: M</p>  <p>A</p>		<p>Impact: M Likel'hd: M</p>  <p>A</p>

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Treasury Management	Limited Counterparty List.	Returns from DMO 0.25%.	<ul style="list-style-type: none"> Limited extension of counterparty list on advice of Treasury advisors. 	Impact: M		Impact: M
	Low Interest rates.	Average investment return 0.7%.	<ul style="list-style-type: none"> Longer term investment where appropriate. 	Likel'hd: M	Continue to monitor counterparty list with Treasury advisors.	
	Cost of carry on debt.	Cost of carry currently in the region of 4%.	<ul style="list-style-type: none"> Use of short term variable rate loans where appropriate. 		Negotiating a more permanent solution with GLA.	A
	Internal borrowing levels.	Internal borrowing £407m.	<ul style="list-style-type: none"> Use GLA as source of short term cash flow borrowing. 	A	Review borrowing strategy in light of capital and revenue four year budget.	