

Risk Analysis - 2021/22 Annual Revenue Budget

	RISK DESCRIPTION	RISK ASSESSMENT			SENSITIVITY
		Likelihood	Impact	Total	
1	The Force fails to recruit and retain the additional 171 police officers allocated to TVP as part of the National Police Uplift Programme (PUP) and therefore loses a proportion of its annual grant	2	3	6	<p>The force has recruited the additional 183 officers granted in 2020/21 and is on track to recruit 95 of the extra 171 officers before 31st March 2021. Based on current recruitment plans and wastage predictions the Force should recruit these additional officers by March 2022.</p> <p>25% of the extra funding for PUP is ring-fenced and payable upon evidenced recruitment. For TVP this ring-fenced grant amounts to £3m.</p>
2	That specific grant income, when confirmed, is lower than currently assumed in the draft budget	2	3	6	We are still waiting for confirmation of specific grants estimated £7m in 2020/21
3	The Force is unable to deliver, in full, the £3.5m 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 £3.5m, 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	<p>In total inflation is estimated to add £6.3m to the base budget in 2020/21, which equates to an average increase of 1.4%.</p> <p>A 1% increase in general inflation (up from the 2.0% currently provided for) will add £0.8m</p>
5	That the Police & Crime Panel vetoes the PCC's proposed £15 (or 6.9%) increase in the council tax precept	1	4	4	Each 1% increase in council tax in 2021/22 generates £2.0m. 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 2022/23 to 2024/25

	RISK DESCRIPTION	RISK ASSESSMENT			SENSITIVITY
		Likelihood	Impact	Total	
1	Following the coronavirus pandemic the Government reduces funding for public services in its next multi-year spending review, due to be published in the Autumn	3	4	12	In the MTFP we have assumed full finding for new police officers (see below) as well as a flat cash grant settlement. A 1% reduction in core police grant is worth £2.5m
2	<p>The 4-year Medium Term Capital Plan (MTCP) only includes known schemes which means that there are no new schemes starting in 2022/23 and later years. Although the MTFP now includes a base level of Direct Revenue Financing (DRF) of £11m per annum this is insufficient to fund the annual replacement programme.</p> <p>Any additional capital expenditure over and above that included currently identified in the MTCP could have a direct impact on future year revenue budgets since any new capital investment will have to be funded via DRF or external borrowing, which lead to higher debt charges</p>	3	4	12	<p>The MTCP now includes a provision of £1.5m per annum for ICT/Business change programmes and £2.0m for property estate maintenance. The annual DRF has been increased to £13.6m in later years to reflect anticipated expenditure levels.</p> <p>If funded through higher DRF any additional capital expenditure 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 £35,000 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	3	4	12	<p>General revenue balances are currently above the agreed 3% guideline level and forecast to remain above this level throughout the period.</p> <p>The Optimism Bias reserve is fully committed and there is only £2.2m remaining in the Improvement & Performance reserve. There is therefore very little opportunity to fund one-off cost increases from reserves going forward.</p>

		Likelihood	Impact	Total	
4	That the Force is unable to deliver the full £12.5m of identified budget cuts over the three-year period 2022/23 to 2024/25 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>
5	That the PCC and/or Police and Crime Panel is unable to support a 2% per annum increase in council tax in 2022/23 and later years	2	3	6	Each 1% increase in council tax generates approximately £2.0m
6	Following the pandemic during 2020/21 the taxbase will not grow at the assumed incremental annual rate of 0.25% in 2022/23 and later years	3	2	6	<p>The average increase in taxbase in the 5 years between 2015/16 and 2019/20 was 2.1%. The taxbase in 2021/22 was clearly affected by the pandemic and its associated impact on the workforce i.e. increased unemployment and the Furlough scheme</p> <p>Each 1% increase in taxbase generates additional council tax income of around £2.0m</p>
7	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 £1.7m compared to the previous year. The Actuary has also indicated that the Force should make an annual contribution of £3.0m, which is £0.6m higher than the current budget provision. We will monitor the insurance fund very carefully and review again as part of the 2022/23 budget process
8	That the force receives insufficient funding from the Home Office to recruit and retain the 3 rd and final tranche of extra officers from the national police officer uplift programme (PUP)	2	2	4	<p>We received an allocation of 354 from the initial 6,000 police officers (plus 8 for SEROCU). At this stage we do not know how many of the remaining 8,000 are coming to local forces and over what timeframe. Future year funding is assumed at £67k per officer, in line with the 2021/22 allocations</p> <p>Within the MTFP expenditure is matched to the receipt of additional grant income, so if grant income is reduced expenditure can also be reduced accordingly</p>

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9	That the surplus on collection funds is less than the £0.85m per annum currently budgeted for in 2022/23 and 2023/24	2	2	4	Although there has been a significant reduction in the surplus in 2021/21 due to the impact of the global pandemic, the average surplus over the last 5 years is £2.1m.
10	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 2.5% throughout the MTFP. Each 1% increase in police officer and staff pay adds approximately £4.8m
11	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 2021/22 is £7.5m. Future cuts in grant will be matched by a reduction in the resources provided to this area of business.
12	That due to the impact of the new police funding formula, potentially in 2022/23, 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 £2.5m.
13	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 £2.0m. The Government's Spending review is predicated on PCC's increasing their council tax precept by the maximum permissible amount each year.