

**2022/23 BUDGET, PRECEPT AND MEDIUM TERM FINANCIAL STRATEGY****RISKS**

There are clearly numerous risks relating to the 2022/23 budget estimates and future financial projections. The key specific risks are set out below:

**1. Pay Budget**

The financial projections assume 2.5% for annual pay award from 2022/23 for the life of the Medium Term Financial Plan. An increase of 1% to this assumption would result in an additional cost of £0.7m in the first year (as pay awards are implemented from 1<sup>st</sup> September) rising to £1.2m in the second year. A contingency has been included to cover the risk of a higher pay award being agreed as part of a longer term settlement, however, the impact on future years has not been included.

Whilst the pay freeze for officers in 2021/22 was confirmed, the police staff pay award for 2021/22 is still outstanding.

**2. Pensions**

The specific grant for Police Officer pensions (£1.4m) is assumed to continue annually although this has not been confirmed by the Home Office, and will be reviewed as part of the annual settlement process.

The Local Government Pension Scheme (LGPS) for police staff will be subject to a triennial actuarial valuation in 2022, which may change the required employer contributions to the scheme from 2023/24.

In addition to the ongoing schemes there is the potential for compensation costs from legal action such as McCloud but it is not yet clear if this will be required to be funded locally or nationally.

**3. 2021 Spending Review (SR)**

The 2021 Spending Review outlined the forecasts for Home Office spending allocations for 2022 - 2025, and forecasts have been made for potential funding allocations for Dorset from these figures. The totals for years 2 and 3 have been described by the Minister as minimum levels therefore additional funding could be forthcoming. Detail will be provided annually and forecasts will be updated accordingly.

**4. Formula Funding Review**

A review to the allocation of funding between forces has started with initial work planned to be released in Spring 2022. No timetables have been announced for the potential implementation of any changes and this is likely to be contentious between forces as some will gain and others will lose. There is no indication of additional funding being provided to smooth any implementation therefore it is likely to be a slow process.

Whilst the previous formula funding review, which was not implemented, would have provided an additional £4m pa approximately to Dorset Police, there is no guarantee that a similar outcome will be generated by the latest review.

**2022/23 BUDGET, PRECEPT AND MEDIUM TERM FINANCIAL STRATEGY**5. Increasing population / expectations / demand

The challenges of policing in Dorset continue to change, with increased population and demand. The Force continue to review their operational capacity and capability in order to address the demand, but clearly the additional burden is a significant factor in financial planning.

6. Emergency Services Network (ESN)

No assumptions have been made in relation to any benefits for the implementation of ESN. An estimate of costs have been included in the capital programme. Indications from Government are that local forces will be expected to incur some of the implementation costs, while some will be met centrally through top slicing. However, revenue savings are also anticipated. A funding strategy will be introduced once clarity on costs and timescales is available.

7. Further top slicing / charges

In addition to the potential top slicing for ESN, other changes to funding may be introduced that have a positive or detrimental impact on Dorset Police.

8. Change in Political Environment

The potential for changes nationally through a policy change from the Government are thought to be limited in the short term, although there could be a risk of delay to the implementation to the NI increase relating to Adult Social Care. This could reduce costs in 2022/23 but would also likely reduce funding if a delay was announced prior to the funding settlement being finalised.

PCC elections are due to be held in 2024, with a General Election possibly held around the same time which could impact on later years of the Medium Term Financial Plan.

9. Covid Pandemic

Most costs relating to the pandemic have been reimbursed, and the ongoing additional costs such as cleaning have been factored into the budgets. However further costs may be incurred if extensive restrictions and the requirement to enforce were reintroduced.

10. Other Risks

There are also potential risks in the realisation of savings and changes to the police officer workforce. Workforce risks include changes in numbers of police officer leavers, delivery of recruitment targets, and numbers of officers on secondment.

Continued monitoring of the financial position, and regular updates of the financial projections to reflect emerging information will be essential in managing the financial position over the next few years.