

2024/25 BUDGET, PRECEPT AND MEDIUM TERM FINANCIAL STRATEGY**RISKS**

There are clearly numerous risks relating to the 2024/25 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 2024/25 and 2% for the rest of the Medium Term Financial Forecast. An increase of 1% to this assumption would result in an additional cost of £0.8m in the first year (as pay awards are implemented from 1st September) rising to £1.4m in the second year. In the last two years additional funding has been provided for pay awards in excess of the 2.5% level therefore it is assumed that this would continue in 24/25.

2. Inflation

Inflation has been included on budgets where increases are known or have specific inflationary increases which apply. Primarily these relate to PFI costs, IT contracts and Business Rates. These have been based on either published rates or estimates for future inflation.

3. Pensions

The specific grant for Police Officer pensions (£4.4m for 2024/25) 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. This has been increased this year as a result of the recent actuarial valuation but is not forecast to increase for increases such as pay awards etc.

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.

4. 2021 Spending Review (SR)

2024/25 is the final year of the 2021 Spending Review which outlined the forecasts for Home Office spending allocations for 2022 – 2025. No further information is currently available for future years' forecasts therefore prudent forecasts have been made. More detail will be available as we go through the financial year.

5. Formula Funding Review

A review to the allocation of funding between forces has started with initial consultation on work completed to date originally expected in Spring 2023, but no consultation has yet been launched. 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.

2024/25 BUDGET, PRECEPT AND MEDIUM TERM FINANCIAL STRATEGY**6. 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.

7. Emergency Services Network (ESN)

No assumptions have been made in relation to any benefits for the implementation of ESN. An estimate of costs has been included in the capital programme although these are pushed back until 2027/28. 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.

8. 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.

9. 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. PCC elections are to be held in May 2024, with a General Election due to be held by January 2025 which could impact on later years of the Medium Term Financial Forecast.

10. Impact of Partners

It is widely reported that financial pressures of our partners such as Local Authorities and the NHS are significant. How partners choose to balance their budgets could have a detrimental impact on the Force such as increased demand following reductions in community safety initiatives for example.

11. 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.
