



**Report for Decision: PCC 2020 / 003**

**Title: Reserves, Balances and Provisions**

**Executive Summary:**

The report provides information on the level of reserves, balances and provisions currently held and explains how some of these will be applied over the next four years to help support the revenue budget and capital programme.

**Recommendation:**

The Police and Crime Commissioner (PCC) is asked to:

1. NOTE the levels of reserves and balances currently held.
2. APPROVE the planned application of reserves over the next four years to help support the revenue budget and capital programme, in particular:
  - a) The proposed drawdown from the Improvement & Performance Reserve as shown in Table 4 in Annex 1, and.
  - b) Proposed usage of the Optimism Bias reserve as shown in Table 5

**Police and Crime Commissioner**

I hereby approve the recommendation above.

**Signature**

**Date** 12.2.20.

## **PART 1 – NON-CONFIDENTIAL**

### **1 Introduction and background**

- 1.1 The Local Government Finance Act 1992 requires the Police and Crime Commissioner (PCC) to have regard to the level of cash reserves needed for meeting estimated future expenditure when calculating the council tax requirement.
- 1.2 Under Section 25 of the Local Government Act 2003, chief finance officers have a duty to report on the robustness of budget estimates and the adequacy of reserves when the PCC is considering his/her council tax requirement.
- 1.3 The Minister for Police, Fire and Rescue Services requires all PCCs to be completely transparent in their use of cash reserves over coming years.
- 1.4 Attached at Annex 1 is a detailed report which provides information on the level of reserves, balances and provisions currently held, and explains how these will be applied in coming years to help support the revenue budget and capital programme.

### **2 Issues for consideration**

- 2.1 The PCC needs to ensure that sufficient cash reserves are maintained over the medium to long term to ensure that future planned and unplanned (e.g. one-off emergency) operations and/or events can be funded without having a detrimental impact on normal day to day operational activities.

### **3 Financial comments**

- 3.1 The PCC's policy is to maintain general balances around a guideline level of 3% of the annual net revenue expenditure budget with an absolute minimum of 2.5%. As Table 2 in the Annex shows, general balances are expected to stay above the 3% level throughout the 4 year planning period. The main budget risks that might impact on the level of general balances during 2020/21 are set out in Appendix 1.
- 3.2 The PCC also maintains earmarked reserves and an insurance provision to fund specific initiatives or meet areas of anticipated future spending. Earmarked revenue reserves are planned to reduce from £24.5m on 31st March 2019 to just £3.5m by the end of 2023/24, including £1.4m in the Conditional Funding and SEROCU reserves which are not available to support general operational policing. Further information is provided in paragraphs 14 to 23 in Annex 1 and in Appendix 2.
- 3.3 The insurance provision is currently fully funded and the adequacy of the reserve is assessed annually by a firm of qualified actuaries.
- 3.4 Capital reserves are estimated to fall from £18.2m in March 2019 to just £3.9m by March 2024. However, should schemes in the Medium Term capital Plan be implemented as currently envisaged capital reserves will, potentially, be 'overdrawn' in 2020/21, 2021/22 and 2023/23. Officers will continue to monitor the situation closely and will report to the PCC, with potential solutions, should this materialise in practice.

3.5 Further information is provided in the separate reports on the Medium Term Financial Plan and the Medium Term Capital Plan.

#### 4 Legal comments

4.1 The Local Government Finance Act 1992 requires the Police and Crime Commissioner (PCC) to have regard to the level of cash reserves needed for meeting estimated future expenditure when calculating the council tax requirement.

#### 5 Equality comments

5.1 No specific equality or diversity issues to report.

#### 6 Background papers

6.1 Local Government Finance Act 1992

6.2 LAAP Bulletin 99 – July 2014 – Local authority reserves & balances

#### Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website within 1 working day of approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this form to be deferred? No

Is there a Part 2 form? No

Name & Role	Officer
<b>Head of Unit</b> This report has been produced in consultation with the Director of Finance. It is fully consistent with and should be read alongside the Revenue Estimates report and the Medium Term Capital Plan.	PCC Chief Finance Officer
<b>Legal Advice</b> This report meets the requirement of the Local Government Finance Act	Governance Manager
<b>Financial Advice</b> This report meets the requirement of the Local Government Finance Act	PCC Chief Finance Officer
<b>Equalities and Diversity</b> No specific implications arising from this report	Chief Executive

### **STATUTORY OFFICERS' APPROVAL**

We have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

We are satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner.

Director of Finance

Date: 30 January 2020

Chief Finance Officer

Date: 30 January 2020

## RESERVES, BALANCES AND PROVISIONS

### Introduction

1. This report provides information on the estimated level of reserves, balances and provisions currently held and explains how some of these will be applied over the next four years to help support the revenue budget and capital programme.

### NATIONAL GUIDANCE

2. In July 2014, CIPFA issued updated guidance on the establishment and maintenance of local authority reserves and balances, setting out the key factors that should be taken in account locally in making an assessment of the appropriate level of reserves and balances to be held.
3. This report complies with the Ministerial requirement regarding the usage and publication of police reserves.

### GENERAL REVENUE BALANCES

#### Background

4. In order to assess the adequacy of unallocated general reserves (otherwise known as general balances) when setting the budget the PCC, on the advice of the two chief finance officers, should take account of the strategic, operational and financial risks facing the authority. This assessment of risk should include external risks, such as flooding, as well as internal risks, for example the ability to deliver planned efficiency savings.
5. Table 1 examines how Thames Valley Police (TVP) currently complies with the 7 key CIPFA principles to assess the adequacy of reserves.

**Table 1: Compliance with the 7 key principles**

<b>Budget assumptions</b>	<b>Current situation in Thames Valley</b>
The treatment of inflation and interest rates	<p>TVP makes full and appropriate provision for pay and price rises. We have provided for future pay awards at 2.5% per annum and general inflation is linked to CPI.</p> <p>An informed assessment is made of interest rate movements.</p> <p>All individual expenditure and income heads in the revenue budget are prepared and published at estimated outturn prices.</p>
Estimates of the level and timing of capital receipts	<p>TVP makes a prudent assumption of future capital receipts. Attached at Appendix 3 is a schedule of planned receipts over the next 4 financial years</p>
The treatment of demand led pressures	<p>The Force is required to operate and manage within its annual budget allocation.</p> <p>The Chief Constable retains 2 central reserves to help finance large scale or corporate operations or issues. These are the 'Major Operations Reserve' and the 'Tasking Fund Reserve'. In addition the CCMT also holds a small reserve to deal with day to day changes in demand and pressure.</p>

	<p>The Force has been able to accommodate the additional costs arising from the various major incidents over the last 10 years or so without asking the PCC for additional reserve funding.</p> <p>The Force has identified £14.4m of cash savings which will be removed from the budget over the next four years (2020/21 to 2023/24). This is over and above the £105m of cash savings that have been removed from the base budget in the last eight years (i.e. 2011/12 to 2019/20). This cumulative level of budget reduction (at least £119m) will inevitably mean that operational budgets will come under even greater pressure and/or risk of overspending in future years.</p> <p>Some government grants (e.g. DSP) are announced annually in advance and are cash limited. Any new policing pressures arising during the year will have to be funded from TVP's own resources.</p> <p>TVP has created a number of earmarked revenue reserves to help finance specific, ad-hoc, expenditure commitments. Appropriations are made to and from these reserves on an annual basis, as required.</p> <p>Finally, general balances are used as a last resort to manage and fund demand-led spending pressures.</p>
<p>The treatment of planned efficiency savings/productivity gains</p>	<p>The Force has consistently achieved its annual efficiency target.</p> <p>All savings are delivered through the Efficiency Plan process and are fully risks are assessed in terms of deliverability.</p> <p>As explained above, over £105m of cash savings has already been taken out of the base budget with at least a further £14.4m required over the next four years.</p>
<p>The financial risks inherent in any significant new funding partnerships, collaboration, major outsourcing arrangements or major capital developments</p>	<p>The financial consequences of partnership collaboration working, outsourcing arrangements or capital investment are reported to the PCC as part of the medium term planning process. Where relevant, any additional costs are incorporated in the annual revenue budget and/or capital programme.</p> <p>The Optimism Bias (OB) Reserve is fully committed. All new capital bids (i.e. over and above those included in the January 2019 MTCP) should include an appropriate element for OB.</p> <p>There is clearly a risk that local authority partners will continue to withdraw funding as their own budgets are squeezed, or that the continued financial viability of private sector</p>

	commercial partners will be exposed to risk in the face of an economic recession.
The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions	<p>TVP has created a number of earmarked revenue reserves and provisions to meet specific expenditure items. These are referred to in more detail below.</p> <p>TVP maintains an insurance provision; the adequacy of which is determined annually by a firm of qualified insurance actuaries.</p> <p>The access criteria for special grants state that PCCs may be required to fund up to 1% of their net budget requirement themselves before Government considers grant aid. This applies on an annual basis. During the last couple of years TVP has successfully applied for, and received grant monies for Operation Hornet, Didcot Power Station, policing of two Royal Weddings and the visit of the President of the USA</p>
The general financial climate to which the authority is subject.	<p>The Police Finance Settlement for 2020/21 included an extra £700m for local policing to commence the recruitment of an extra 20,000 police officers over the next 3 years, with the first 6,000 to be recruited before the end of 2020-21. This increase in funding also has to cover pay and price rises as well as other growth commitments.</p> <p>In his Spring Statement the Chancellor will announce the next Spending Review which is expected to cover the 4-year period 2021/22 to 2024/25</p> <p>General inflation in the UK is slightly lower than in recent years. CPI is currently 1.5% (November 2019). RPI is slightly higher at 2.2%.</p> <p>Base rate is currently 0.75%. The Governor of the Bank of England has indicated that any future increases will be minimal and gradual.</p> <p>The 4 year medium term financial plan reflects our local 'best estimate' of future inflation rates and increases in government grants and contributions.</p>

6. General balances are required to cover financial risks and uncertainties such:

- unforeseen emergencies, such as a terrorist incident or major investigation;
- changes in the demand for policing;
- managing the timing of making savings;
- costs of national programmes;
- funding the first 1% of costs for major events (e.g. Royal Weddings) in-line with Home Office grant rules; and
- uneven cashflows

7. Home Office special grant rules require us to fund the first 1% of net revenue expenditure for each incident before we can submit a claim for financial assistance. As such, in an organisation the size of Thames Valley, with a net budget of around £434m, the current policy is to maintain general balances around a guideline level of 3% of annual net revenue expenditure budget, with an absolute minimum level of 2.5%. This is felt to be an appropriate percentage and cash sum.
8. The current and forecast level of general balances is set out in Table 2 below.

**Table 2: Predicted level of general balances**

	£m	% of 2020/21 Net Budget
<b>Forecast balance as at 31 March 2019</b>	<b>18.705</b>	<b>4.17%</b>
Fund forecast overspend 2019/20	- 2.318	
<b>Forecast balance as at 31 March 2020</b>	<b>16.387</b>	<b>3.65%</b>
Late council tax information	0.030	
Fund additional bank holidays	- 0.235	
Fund purchase of covert radios	- 0.750	
<b>Forecast balance as at 31 March 2021</b>	<b>15.432</b>	<b>3.44%</b>
Fund additional bank holidays	- 0.705	
<b>Forecast balance as at 31 March 2022</b>	<b>14.727</b>	<b>3.28%</b>
Fund additional bank holidays	- 0.470	
<b>Forecast balance as at 31 March 2023</b>	<b>14.257</b>	<b>3.18%</b>
<b>Forecast balance as at 31 March 2024</b>	<b>14.257</b>	<b>3.18%</b>

#### **Commentary of the Table**

9. The current forecast level of general balances at 31 March 2020 is £16.387m which equates to 3.65% of the net revenue budget requirement in 2020/21.
10. At this stage, the overall level of general balances is scheduled to remain above the agreed 3% in coming years which is a healthy position to be given the planned reduction in earmarked reserves, the unknown funding position in 2020/21 and later years and the very difficult operational environment that the force continues to operate in.

#### **Risk and Sensitivity Analysis**

11. Attached at Appendix 1 is the Risk and Sensitivity Assessment for General Balances for 2020/21. This provides the PCC with more accurate, timely and risk based information on the type of issues that may have significant potential implications for the level of general reserves held, both now and in the near future.
12. The Appendix has been produced in accordance with the Force Risk Model and scores the likelihood of each risk occurring, and the impact that it would have on the level of general balances currently held, on a scale of 1-5 (with 5 being 'high risk' / 'high impact', respectively). The two scores are then multiplied to provide an aggregate risk score. The risks in the Appendix are ranked in order, with high risk, high impact issues being shown at the top of the list.



13. The two biggest risks are (1) that the additional costs of one-off operational incidents or in-year emergencies cannot be contained within budget or be fully grant funded by Government and (2) that the Force fails to contain expenditure within agreed annual budget limits, including unfunded national pay increases.

### EARMARKED REVENUE RESERVES

14. The predicted position at 31 March 2019 for each earmarked revenue reserve - which has a specific purpose and particular timescale for its expenditure - is shown in Table 3 below.
15. The predicted annual movement in each reserve over the next 5 years (including 2018/19) is shown in Appendix 2. This shows that by the end of 2023/24 the overall level of earmarked reserves will be just £3.5m, including £1.4m in the Conditional Funding Reserve and the SEROCU which are not available to help with general operational policing.

**Table 3: Earmarked reserves**

Reserve	Balance at 1 April 2019 £m	Predicted Movement in year £m	Forecast Balance 31.3.20 £m	Purpose of Reserve
Transport reserve	0.448	- 0.168	0.280	TVP share of the Chiltern Transport Consortium (CTC) reserves
Improvement and Performance reserve	8.817	- 0.282	8.535	Used to help fund one-off initiatives such as capital investment and property maintenance
Optimism Bias	8.920	- 3.408	5.512	To fund any cost over-runs on the capital programme
Insurance	0.499	0.0	0.499	Funds held in case insurance provision proves inadequate to meet known liabilities
Community safety	0.925	- 0.150	0.775	To fund the PCC's community safety initiatives
<b>Sub-total</b>	<b>19.609</b>	<b>- 4.008</b>	<b>15.601</b>	
SEROCU	1.052	- 0.940	0.112	Provision held on behalf of the hosted regional organised crime unit to support infrastructure investment and risk management against in year grant cuts.
Conditional Funding reserve	3.795	- 0.500	3.295	The Force is actively engaged in a number of projects which are funded by government grants, contributions from partner bodies and other agencies. Income received can only be spent on the specified purpose.
<b>Total</b>	<b>24.456</b>	<b>- 5.448</b>	<b>19.008</b>	

### Commentary on Table 3 and Appendix 2

16. The **Chiltern Transport Consortium Board** has agreed to limit its reserves to 3% of the devolved recharge for each force.
17. The **Improvement & Performance (I&P) Reserve** is being used to fund essential one-off expenditure items which will improve performance or deliver efficiency savings.

**Table 4 – Proposed drawdown from the I&P Reserve**

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
<b>Opening balance</b>	<b>8.817</b>	<b>8.535</b>	<b>6.488</b>	<b>3.201</b>	<b>1.681</b>
Council tax – late notification of increase surplus	0.365				
MK – firing range ventilation plant work	- 0.050	- 0.050	- 0.150		
Banbury Custody suite ventilation		- 0.155			
Maidenhead – roof to main building				- 0.150	
Langford Locks - air conditioning			- 0.260		
Kingfisher Court – electricals			- 0.225		
Maidenhead –custody ventilation			- 0.250		
Newbury – custody ventilation				- 0.175	
Maidenhead – lighting, power & switchgear	- 0.100			- 0.315	
Newbury heating				- 0.155	
Meadow House air conditioning			- 0.400		
High Wycombe – custody ventilation		- 0.075	- 0.130		
High Wycombe – roofs & windows			- 0.250		
Aylesbury – roofs & windows (main block)		- 0.250			
Aylesbury – roofs & windows (welfare block)		- 0.175			
Banbury – main roof			- 0.250		
Lodden Valley – custody air con			- 0.450		
Slough – roof to main building				- 0.150	
Roof repairs – Lodden Valley			- 0.015	- 0.200	
Roof repairs – Milton Keynes			- 0.015	- 0.200	
Roof Repairs – Newbury			- 0.015	- 0.175	
UCI public enquiries	- 0.197	- 0.197	- 0.197		
ICT rationalisation					
National barrier asset	- 0.250				
Genesis – custody works (capital)		- 0.320	- 0.680		
Capital programme	- 0.050	- 0.825			
<b>Annual drawdown to fund one-off items</b>	<b>- 0.647</b>	<b>- 2.047</b>	<b>- 3.287</b>	<b>- 1.520</b>	<b>0.000</b>
<b>Closing balance</b>	<b>8.535</b>	<b>6.488</b>	<b>3.201</b>	<b>1.681</b>	<b>1.681</b>

18. HM Treasury guidance on capital projects recognises that there is the potential for project costs to exceed the initial assessment. This is called **Optimism Bias** and relates to any project type, although it can be particularly impactful when relating to the development of new technology. At 1<sup>st</sup> April 2019 the OB reserve amounted to £8.920m. However, it is being fully utilised to fund the following items from the revenue budget and capital programme over the next few years.

**Table 5: Proposed drawdown of the Optimism Bias reserve**

	£m	
<b>Opening value at 1.4.19</b>	<b>8.920</b>	
HTCU storage	- 0.606	Cap Mon 25.7.19
CMP	- 0.499	Cap Mon 25.7.19
Office 365	- 0.222	Cap Mon 25.7.19
Sulhamstead Imbert Court	- 0.215	Cap Mon 29.11.19
CMP	- 1.108	Cap Mon 29.11.19
Equip	- 0.758	Cap Mon 29.11.19
<b>Estimated value as at 31.3.20</b>	<b>5.512</b>	
Equip	- 3.914	MTCP 4.2.20
Tier 1 extension	- 0.725	MTCP 4.2.20
<b>Estimated value as at 31.3.21</b>	<b>0.873</b>	
Equip	- 0.845	MTCP 4.2.20
<b>Estimated value as at 31.3.22</b>	<b>0.028</b>	
Capital programme	- 0.028	MTCP 4.2.20

<b>Estimated value as at 31.3.23</b>	<b>0.0</b>
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19. All new capital schemes (i.e. those not included in the January 2019 MTCP) will include an appropriate element for OB and funding will be sought accordingly.
20. The residual balance of £0.499m in the **Insurance Reserve** is being utilised to fund a one-off commitment in the 2020/21 revenue budget.
21. The **Community Safety Reserve** will enable the PCC to invest in one-off community safety initiatives.
22. The **SEROCU Reserve** is held on behalf of the regional organised crime unit and is for future development and investment in regional infrastructure in support of the unit, as well as being held to also support potential in year shortfalls in central grant allocations.
23. The **Conditional Funding Reserve** holds monies that can only be spent on specific purposes; it is not available to general operational policing.

#### **Compliance with Home Office guidance on police reserves**

24. On 31st March 2018 the Minister for Policing and the Fire Service published guidance on the information that each PCC must publish in terms of police reserves. One of the key requirements is that the information on each reserve should make clear how much of the funding falls into each of the following three categories:
  - Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan
  - Funding for specific projects and programmes beyond the current planning period
  - As a general contingency to meet other expenditure needs held in accordance with sound principles of good financial management
25. This information is provided in Appendix 3.

#### **PROVISIONS**

26. The CIPFA Statement of Recommended Practice is prescriptive about when provisions are required (and when they are not permitted). Basically, a provision must be established for any material liabilities of uncertain timings or amount, to be settled by the transfer of economic benefits. In accordance with this statutory guidance the Thames Valley Police has established the following provision.

#### **Insurance**

27. A revenue provision exists for meeting ongoing claims under a self-insurance scheme. The insurance provision has recently been assessed by our actuary, Marsh. Their provisional assessment of total liabilities as at 31<sup>st</sup> March 2020 is £10.030m which is £1.389m higher than the existing provision as at 1<sup>st</sup> April 2019.
28. As part of the closedown process for 2019/20 officers will monitor and compare the actual fund size with the assessed liability.

## **CAPITAL BALANCES**

29. In addition to the earmarked revenue reserves and insurance provision referred to above, we also maintain three capital reserves. These are used to help finance the 4 year capital programme.

### **Capital grants unapplied**

30. Each year we receive an allocation of capital grant from the Home Office to help finance our capital investment plans. Unlike some other grants, which can only be used for a specific purpose or have to be spent within a particular timeframe, this grant is very flexible in that it can be applied to fund our general capital programme and can be carried forward, without penalty, until it is required to finance capital expenditure.
31. The fund balance as at 1<sup>st</sup> April 2019 was £11.725m, but this will be largely utilised in coming years to help finance the capital programme.
32. Future capital investment beyond 2023/24 will largely be dependent on revenue contributions, capital receipts and borrowing for new building projects.

### **Other capital grants**

33. The PCC also maintains three further capital reserves, however because these grants have conditions attached to them they are shown in the Balance Sheet as long term liabilities rather than usable reserves. These are:
- Capital grants received in advance
  - Section 106 monies
  - 3<sup>rd</sup> party capital contributions
34. The value of these grants is shown in Appendix 2.

### **Capital receipts**

35. There are three main sources of capital receipt in Thames Valley.
- Sale of police houses
  - Sale of operational police properties to deliver the Asset Management Plan
  - Income from the sale of police vehicles is used to fund their replacements
36. The latest schedule of planned disposals and their estimated value is attached at Appendix 4.
37. To avoid having to pay 51% of all interest earned on the investment of capital receipts to the Government - as part of the loan charges grant calculation - capital receipts are normally applied to finance the capital programme as soon as they are received.

## **CONCLUSIONS**

38. Current policy is to maintain revenue general balances close to an operational guideline level of 3.0% of the net annual revenue budget, with an absolute minimum level of 2.5%. The latest estimate of general balances at 31<sup>st</sup> March 2020 is £16.4m which equates to 3.6% of the draft net revenue budget in 2020/21 and, based on current planning assumptions, the level of general balances should stay above the 3% guideline level through to 2023/24. This is an acceptable and appropriate position to be in as we continue the prolonged period of fiscal tightening and do not

know, at this stage, the exact level of government grant support that we will receive in future years (i.e. beyond 2019/20).

39. Appendix 1 shows that there are a number of risks that may impact on the level of general balances currently held. The two risks with the highest score of 8 are that:
  - the additional costs of one-off operational incidents or in-year emergencies cannot be contained within budget or be fully grant funded by Government
  - the Force is unable to deliver, in full, the £3.5m of planned cash savings to be removed from the base budget during 2020/21
40. We have created a number of earmarked revenue reserves and an insurance provision to help fund specific initiatives or meet areas of future spending. In the main these are being applied over the next 4 years to finance one-off revenue and capital investment initiatives. Based on current planning assumptions, earmarked reserves will reduce from £24.5m on 31<sup>st</sup> March 2019 to just £3.5m at 31 March 2024, including £1.4m in the Conditional Funding Reserve and the SEROCU which are not available to fund general police expenditure. The application of these reserves will clearly be reviewed on an annual basis in light of current budgetary pressures and demands.
41. Based on current planning assumptions the 'Capital Grants Unapplied' reserve will be largely utilised by the end of the current financial year.

# Appendix 1

## Risk and Sensitivity Assessment for General Balances in 2020/21

	RISK DESCRIPTION	RISK ASSESSMENT			SENSITIVITY
		Likelihood	Impact	Total	
1	The additional costs of one-off operational incidents or in-year emergencies cannot be contained within budget or be fully grant funded by Government	2	4	8	<p>Home Office access criteria for special grants imply that the PCC will have to fund up to 1% of his net revenue budget (i.e. circa £4.4m) of these one-off costs from his own resources on an annual basis.</p> <p>The Force maintains a number of operational reserves which amount to £1.8m. The three largest are:</p> <ul style="list-style-type: none"> <li>➤ Events £0.3m</li> <li>➤ Tasking &amp; Coordinating £0.4m</li> <li>➤ Ops Reserve £0.3m</li> </ul> <p>Continued monitoring and scrutiny arrangements and medium term financial planning.</p>
2	The Force fails to contain expenditure within agreed annual budget limits, including unfunded national pay increases	2	4	8	
3.	The Force fails to recruit and retain the additional 183 police officers allocated to TVP as part of the National Uplift programme and therefore loses a proportion of its annual grant	2	3	6	The force has been allocated £5.118m to recruit 183 police officers, which equates to £30,464 per officer. Based on current recruitment plans the Force should recruit these additional officers by summer 2020.
3	The Force is unable to deliver, in full, the £3.5m of planned cash savings to be removed from the base budget during 2020/21	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
4	The one-off cost of delivering ongoing savings, e.g. redundancy costs, termination of contracts, etc. cannot be contained within existing budgetary provisions	2	2	4	The PCC maintains the Improvement & Performance Reserve which can be used to help fund one-off costs such as redundancies, property and ICT adaptations. However, to date these costs have been contained within the annual revenue budget.

## Risk Impact' Scoring Table

### APPENDIX 1A'

Factor	Score	Political	Economic	Social	Technology	Environmental	Legal	Other Organisational
<b>Guidance on criteria</b>		Ability to respond to HMIC / Audit Commission/ Police Authority & Home Office performance requirements, including Partnership Objectives and potential damage to reputation if not met	Level of funding and Resources	Human Rights – diversity and the damage to reputation if requirements not met / adhered to.	Examples are: all communications equipment, IT infrastructure, hardware & software. Plus any forensic capability that uses technology	Breach of legislation & / or damage to environment through contamination or pollution with potential for legal action against TVP	Health & Safety legislation and regulations. Plus personal safety and all other relevant legislation.	Ref protective marking guide 2007 relating to Public Order, safety, law enforcement & infrastructure etc
<b>Very Low</b>	<b>1</b>	Failure to meet individual operational target	Up to £100,000	Minor contravention of internal policies.	Minor ICT project delay	Insignificant impact on the environment – no breach of legislation	Local incident – no local review no legal or regulatory breaches	Protect Data Loss / compromise /misuse resulting in ltd impact on personal human rights or operational activity
<b>Low</b>	<b>2</b>	Failure to meet a series of operational targets – adverse publicity	Between £100,000 and £500,000	Increasing numbers in minor contravention of internal procedures.	Short term loss of non critical ICT	Minor impact on the environment with no lasting effects – no breach of legislation	Minor incident – review protocols No adverse publicity	Restricted Data loss/compromise/ misuse resulting in limited impact to personal human rights or operational activity
<b>Medium</b>	<b>3</b>	Failure to meet a critical target – impact on an individual performance indicator - adverse internal audit report prompting timed improvement / action plan.	Between £500,00 and £1 million	Medium impact incident. Appears in local media	Longer term loss of non critical ICT	Minor impact on the environment with some short term effects – potential breach of legislation	HSE involved in significant incident. Civil litigation receiving adverse publicity and financial cost to the Force.	Confidential Data loss /compromise/misuse causing embarrassment & loss of trust in the force & an adverse impact on personal rights or operational activity
<b>High</b>	<b>4</b>	Failure to meet a series of critical targets – impact on a number of performance indicators – adverse external audit report prompting immediate action. Highlighted in the local media.	Between £1 million and £10 million	High impact incident. Appears in national media once	Prevention of access to intelligence placing prosecutions at risk including front line officers/staff.	Serious impact on environment with immediate and medium to long term effects – breach of legislation / local media attention	Temporary HSE intervention due to major incident. Force is prosecuted and fined. Intervention by Police Authority	Secret Data loss/compromise/ misuse resulting in serious reputational damage to the force & a severe impact to personal human rights (threat to life) or operational activity
<b>Very High</b>	<b>5</b>	Failure to meet a majority of local and national performance indicators – possibility of intervention / special measures. Picked up in the national media	Greater than £10 million	High impact incident(s) or high no of officers / staff taken to court under Human Rights / Diversity legislation. Appears in national media consistently	Damage to critical systems including loss of 999 service	Significant long-term impact on environment – breach of legislation leading to prosecution & reputation damage	Potential Corporate manslaughter charge. HSE close with adverse report Home office intervention. Taken to court by European Commission.	Top Secret Data loss/compromise /misuse resulting in sustained reputational damage to the force, impact upon national security & a serious breach of personal human rights (widespread threat to life) or operational activity

**'Likelihood' Scoring Table**

Risk Likelihood	Score	Probability or Likelihood of Occurrence within the next 12 months
Highly Unlikely	1	Virtually impossible to occur (0 to 5% chance of occurrence)
Unlikely	2	Very unlikely to occur (6 to 20% chance of occurrence)
Possible	3	More likely not to occur (21 to 50% chance of occurrence)
Likely	4	More likely to occur than not (51% to 80% chance of occurrence)
Highly Likely	5	Assume almost certain to occur (81% to 100% chance of occurrence)



## Appendix 2

### Summary of revenue and capital balances

	Balance 31.3.19 £m	Forecast Balance 31.3.20 £m	Forecast Balance 31.3.21 £m	Forecast Balance 31.3.22 £m	Forecast Balance 31.3.23 £m	Forecast Balance 31.3.24 £m
<b>GENERAL REVENUE BALANCES</b>	<b>18.705</b>	<b>16.387</b>	<b>15.432</b>	<b>14.727</b>	<b>14.257</b>	<b>14.257</b>
% of 2020/21 Net Revenue Budget	4.17%	3.65%	3.44%	3.28%	3.18%	3.18%
<b>EARMARKED REVENUE RESERVES</b>						
Transport reserve	0.448	0.280	0.280	0.280	0.280	0.280
Improvement and performance reserve	8.817	8.535	6.488	1.681	1.681	1.681
Insurance fund	0.499	0.499	0	0	0	0
Community safety	0.925	0.775	0.625	0.475	0.325	0.175
Optimism Bias	8.920	5.512	0.873	0.028	0	0
<b>Sub-total</b>	<b>19.609</b>	<b>15.601</b>	<b>8.266</b>	<b>2.464</b>	<b>2.286</b>	<b>2.136</b>
SEROCU	1.052	0.112	0.112	0.112	0.112	0.112
Conditional Funding reserve	3.795	3.295	2.795	2.295	1.795	1.295
<b>Total Earmarked Revenue reserves</b>	<b>24.456</b>	<b>19.008</b>	<b>11.173</b>	<b>4.998</b>	<b>4.193</b>	<b>3.543</b>
<b>TOTAL REVENUE RESERVES</b>	<b>43.161</b>	<b>35.395</b>	<b>26.605</b>	<b>19.695</b>	<b>18.450</b>	<b>17.800</b>
<b>CAPITAL RESERVES</b>						
Capital receipts	3.653	0	0	0	0	0
Capital grants	11.725	6.363	- 0.841	- 10.159	- 1.585	3.157
Capital grants received in advance	2.060	0	0	0	0	0
3rd party capital contributions	0.705	0.705	0.705	0.705	0.705	0.705
Section 106 monies	0.048	0.086	0.086	0.086	0.086	0.086
<b>Total Capital Reserves</b>	<b>18.191</b>	<b>7.154</b>	<b>- 0.50</b>	<b>- 9.368</b>	<b>- 0.794</b>	<b>3.948</b>
Insurance provision	8.627	8.627	8.627	8.627	8.627	8.627
<b>TOTAL CASH RESERVES</b>	<b>69.979</b>	<b>51.176</b>	<b>35.182</b>	<b>18.857</b>	<b>26.283</b>	<b>30.375</b>

## Appendix 3

### Analysis of Earmarked Revenue Reserves for Home Office

	31.3.19 Actual £m	31.3.20 Estimate £m	31.3.21 Estimate £m	31.3.22 Estimate £m	31.3.23 Estimate £m	31.3.24 Estimate £m
<b>Planned expenditure on projects &amp; programmes over next 4 years</b>						
• Risk Management initiatives	0					
• Community Safety	0.450	0.450	0.300	0.150	0.000	0.000
• Optimism Bias	8.920	5.512	0.723	0.155	0.000	0.000
• Improvement & performance reserve	8.177	7.530	5.483	0.676	0.000	0.000
• Conditional funding	2.000	1.500	1.000	0.500	0.000	0.000
	<b>19.547</b>	<b>14.992</b>	<b>7.506</b>	<b>1.481</b>	<b>0.000</b>	<b>0.000</b>
<b>Funding for specific projects &amp; programmes beyond 2022/23</b>						
• Improvement & performance reserve	0.640	1.005	1.005	1.005	1.681	1.681
• Conditional funding	1.795	1.795	1.795	1.795	1.795	1.295
• Community safety	0.475	0.325	0.325	0.325	0.325	0.175
	<b>2.910</b>	<b>3.125</b>	<b>3.125</b>	<b>3.125</b>	<b>3.801</b>	<b>3.151</b>
<b>As a general contingency or resource to meet other expenditure needs</b>						
• Transport consortium	0.448	0.280	0.280	0.280	0.280	0.280
• Insurance	0.499	0.499	0.000	0.000	0.000	0.000
• SEROCU	1.052	0.112	0.112	0.112	0.112	0.112
	<b>1.999</b>	<b>0.891</b>	<b>0.392</b>	<b>0.392</b>	<b>0.392</b>	<b>0.392</b>
<b>Total Earmarked Reserves</b>						
	<b>24.456</b>	<b>19.008</b>	<b>11.023</b>	<b>4.998</b>	<b>4.193</b>	<b>3.543</b>

## Forecast Capital Receipts

	Asset Management Plan £m	Housing £m	Equity loan repayments £m	Vehicles £m	Total £m
2019/20	0.934	2.556	0.200	0.450	4.140
2020/21	3.860	1.715	0.200	0.450	6.225
2021/22	2.625	0	0.200	0.450	3.275
2022/23	9.000	0	0.200	0.450	9.650
2023/24	0		0.200	0.450	0.650
<b>Total</b>	<b>16.419</b>	<b>4.271</b>	<b>1.000</b>	<b>2.250</b>	<b>23.940</b>

