

Budget Risk Assessment 2023/24

	Annual Budget	Detail	Mitigation
Funding Formula	£218.1m (Core Grant)	The review has now started. The review of the funding formula will look at the way in which the grant is distributed. In a previous attempt to review the formula D&C were significantly adversely affected.	Active engagement in the consultation process. Comprehensive submissions to HO covering sparsity and seasonality. Influencing of central government.
Council Tax Funding	£166.3m	The cost of living crisis may have an impact on the level of council tax paid and/or increase in the number of council tax payers requiring Council Tax Support.	Active engagement with the collecting authorities to ensure early sight of issues and problems. Collecting authorities have increased support to working families to alleviate bad debt situations.
Council Tax Assumptions	£166.3m	The assumptions of the level of council tax, tax base increases and surpluses are considered carefully. The tax base is based on proposed house building levels and surpluses are based on historical trends.	The level of council tax, tax base increases and surpluses are reviewed annually. The tax base and surpluses are also tested at intervals during the financial year. SR21 has aided planning by announcing the council tax referendum limits over its life.
Core Grant Assumptions	£218.1m	The assumptions in changes in the level of core grant are reassessed annually. The indicative levels in SR21 aid planning significantly. The core grant is not keeping pace with inflation assumptions.	The increases are reassessed annually. Early identification of savings and reductions based on assumptions.
Special and Specific Grants	£9.8m	The pensions grant of £3.3m and part of the uplift grant of £6.5m continue to be awarded on a year by year basis. The level of ringfence on the uplift grant has increased by £3.3m (103%). This increases the risk to long term certainty of these funding streams.	Consultation response to the provisional police grant settlement has highlighted the increased risk to funding. We will work with national groups to ensure this issue is taken into account and fully considered by the Treasury.
Increase in pay award above assumptions	1% increase in pay award equates to £3.3m	The level pay award cannot be guaranteed as it is agreed nationally. This is an area of concern due to the fact that 85% of the overall budget relates to staffing. The pause on pay awards has now been lifted. The current level of inflation and cost of living increases increase the risk to this assumption.	The agreed pay award comes into effect part way through a financial year. Therefore, the immediate effect is reduced and provides time to build in the permanent increase into the MTFS. The MTFS assumptions are continually reviewed to ensure they are realistic.
Inflation (non pay)	£4.6m	The significant increases in inflation and the Bank of England base rate increase the risk to the budget particularly around energy prices, fuel prices and construction indices.	Continual review of inflation and national projections. The employment of an energy monitoring manager and the reduction of the overall temperature in the buildings.
Pension Revaluations	Police Staff increase 2023/24 £1.8m. Police Officer increase unknown	The Police Officer and Police Staff pension schemes are subject to triennial valuations. The employer rate can change depending on this valuation. These revaluations are especially susceptible to increases due to the increased pension remedy costs as a result of the McCloud judgement. The Police Staff pension scheme revaluation will take effect in 2023/24 and the Police Officer pension scheme revaluation will take effect in 2024/25.	The police officer pension and the Police Staff pension are due to be revalued during the life of this MTFS. Progress on this will be carefully monitored.

Use of Reserves in year	£6.2m	The use of reserves to fund ongoing revenue expenditure will increase the risk of a robust and sustainable four year MTFS. The use of reserves in 2023/24 is being used to smooth in budget reductions in the early part of the year along with one off ICT spend which does not fall under the definition of capital spend.	A documented schedule showing the use of reserves and with evidence to show that the reliance of the reserves does not continue in future years. A review to ensure that there are no "cliff edges" to any of the funding streams.
Future Capital funding		The Home Office grant allocation for capital schemes has ceased. Once the ability to generate capital receipts reduces this will mean insufficient funds are available.	A proactive development approach to the disposal of assets to maximise capital receipts. Increasing the level of revenue contribution to capital by £1m per year over the life of the MTFS.
National Commitments		With the cessation of the Police Transformation fund there is a risk there will be a transfer of responsibility from the centre for national priorities that move to business as usual within force areas.	Actively engaging with the exit strategies for national projects. Engagement with national teams.
Grant Income		Grant income is available to the OPCC and the Force on a regular basis. This can come from a variety of funding streams e.g., Police Transformation Fund. The grant will be subject to a grant agreement.	The approval of a grant must be authorised by either the OPCC Chief Executive or the OPCC Treasurer. This assures that any grant conditions are not onerous on the organisation. Particular attention if paid to the exit strategy.
Major operations		An annual allocation is included in revenue for the cost of major operations. This is expected to be sufficient in most years. However, in the event of a particularly significant, high profile operation costs could easily exceed the revenue allocation.	Revenue funding. Potential access to Government grant for expenditure in excess of 1% of force budgets, although this cannot be guaranteed. General balances is available or additional costs.
Uninsured Liabilities and claims	Unknown	The key uninsured liabilities would be those resulting from employment tribunals or other legal challenges. While often low level, these can have the potential to be significant.	Proactive assessment of risk, legal/HR involvement at an early stage. Risk assessed as part of the level of general balances.
Treasury Management	Unknown	Devon and Cornwall Police routinely invest funds to optimise return. Such investments will always carry a degree of risk, which is expected to be manageable within the parameters of the Treasury Management Strategy.	Adherence to, and regular review of the Treasury Management Strategy.
Other unexpected expenditure/ Working Capital	Unknown	Throughout the year it is usual for expenditure plans to be revised and change, which is all manageable through the usual budget monitoring process. It is equally possible for unplanned requirement to surface outside those already covered e.g. a higher than anticipated number of officers could retire on ill health grounds with associated costs.	Close, accurate budget monitoring throughout the year. Highlighting potential variances as soon as possible.