

APPENDIX 4

Budget Risk Assessment 2025/26

	Annual Budget	Detail	Mitigation
Funding Formula	£269.5m (Home Office grant funding)	Following a change in the government the review has been paused. 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 the Home Office covering sparsity and seasonality. Influencing of central government.
Local Government Reorganisation		Following the publication of the English Devolution White Paper in December 2024 it is uncertain of the detailed impacted on Devon and Cornwall Police. This could have significant implications.	Involvement with Local Authorities on their plans. A watching brief at this stage on the local government landscape in Devon and Cornwall.
Police Reform		Following announcements of police reform from the Home Office, changes are likely to be made to the national, regional and local structures. This will overlap with the local government reorganisation shown above. The detail of any changes have not yet been provided.	Early engagement with the Home Office.
Council Tax Funding	£194.8m	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	£194.8m	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 inclusion is subject to a separate risk below.	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.
Council Tax assumptions for second homes	£6m (approx.)	2025/26 is the first year for the inclusion of a 200% charge for second homes. All collecting authorities in the area have agreed the change. There are approximately 30,000 properties classified as second homes in Devon, Cornwall and the Isles of Scilly. Areas in Wales have seen a drop off in future years of the number of second homes.	2025/26 figures are set and will not change the amounts paid to fund policing. For future years a cautious approach has been taken on any increase to the council tax base and any surplus/deficit used in the assumptions.
Core Grant Assumptions	£238.1m	The assumptions in changes in the level of core grant are reassessed annually as the core grant has not kept pace with inflation. The final year of the current SR is 2024/25. The next SR will be in two phases; a one year settlement for 2025/26 followed by a multi-year settlement.	The increases are reassessed annually. Early identification of savings and reductions based on assumptions. For 2025/26 onwards early involvement with the Home Office has continued. This is coupled with cautious estimates of future grant increases.
Special and Specific Grants	£31.4m	The overall level of special and specific grant has increased – from £24.3m to 31.4m (29%). Two new specific grants have been awarded; £5.7m to cover the increase in employers NI and £2.3m for a Neighbourhood Policing Grant. These continue to be awarded on a year by year basis which 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 approx. £3.9m p.a.	The level pay award cannot be guaranteed as it is agreed nationally. This is an area of concern as 85% of the overall budget relates to staffing.	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. In prior years the Home Office have provided additional support for a proportion of the pay award, however, this cannot be guaranteed. An inflationary contingency has been set aside to help mitigate this risk.
Inflation (non pay)	£1.7m	Inflation levels have reduced significantly since the peak in October 2022 of 11.7%. However, they continue to be above the government target of 2%. The increase in the employers national insurance rates for supplies will also impact in this area.	Continual review of inflation and national projections.
Pension Revaluations	Police Officers and Police staff	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. There are no revaluations due in 2025/26	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. The Home Office have provided additional grant to cover the increase seen in 2024/25.
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. Discussions with the Home Office to consider capital grant in the multi-year settlement.
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. 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 are available for 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 and Crime Commissioner 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. Funds are invested based on the priority order of risk, liquidity and return.
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.