

APPENDIX 4

Budget Risk Assessment 2026/27

	Annual Budget	Detail	Mitigation
Provisional Settlement	£485.9m	The provisional settlement was announced on 18 th December 2025. There was minimal detail around what was core grant and what was specific grant. Devon, Cornwall and the Isles of Scilly have seen an overall increase of 4.2% (based on HO Assumptions). The grant element has increased by an average of 3.8%, however, the D&C increase is 2.8%. With so little detail is it hard to assess why this is the case. Further detail is expected before the end of January.	Ongoing dialogue with the Home Office. Prudent assumptions.
Funding Formula	£279.4m (Home Office grant funding)	The review of the funding formula 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 HO covering sparsity and seasonality. Influencing of central government.
PCC Reform	£?	Following the announcement of the abolition of the role of the Police and Crime very little detail is available around the local structures for all the functions under the current legislation. The cost of this decision is unknown. This could overlap with police reform and local government reorganisation.	Publication of the White Paper to provide additional detail. Early engagement with the Home Office and working with the national teams to understand the full detail. Provision of a dedicated resource to support the change process.
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 PCC reform and local government reorganisation. The detail of any changes have not yet been provided.	Publication of the White Paper to provide additional detail. Early engagement with the Home Office.
Local Government Reorganisation	Not expecting additional cost for policing	Following the publication of the English Devolution White Paper in December 2024 it is uncertain of the detailed impact on Devon and Cornwall Police. This could have significant implications. It is not expected that this would incur additional cost but coupled with the PCC reform and Police Reform this will put more uncertainty and change into the system.	Involvement with LA's on their plans. A watching brief at this stage on the local government landscape in Devon and Cornwall.
Council Tax Funding	£206.5m	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.
Council Tax Assumptions	£206.5m	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	Between £6m and £10m (approx.)	2025/26 was the first year for the inclusion of a 200% charge for second homes. All collecting authorities in the area agreed the change. There are approximately 30,000 properties classified as second homes in Devon, Cornwall and the Isles of Scilly. Areas in Wales saw a drop off in future years of the number of second homes.	2026/27 have remained reasonable robust and have exceeded the prudent assumptions made. For future years a cautious approach will still be taken on any increase to the council tax base and any surplus/deficit used in the assumptions.

Increase in pay award above assumptions	1% increase in pay award equates to £4m p.a.	The level of pay award cannot be guaranteed as it is agreed nationally. This is an area of concern as 87% of the overall budget relates to staffing. The pay award for 2025/26 was agreed at 4.2% with one off funding from the Home Office in 2025/26 to support 1.4% of the pay award. This funding will not be repeated for 2026/27.	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 inherent deficit of 1.4% for 2025/26 will require additional savings. In prior years the Home Office have provided additional support a proportion of the pay award, however, this cannot be guaranteed.
Inflation (non pay)	£2.2m	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 employer 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 2026/27. The triennial valuation of the police staff pension fund saw a drop in the employer rate.	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.
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 and the capital programme will be mainly reliant on contributions from Revenue and borrowing.	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.
Grant Income	Unknown	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 is paid to the exit strategy.
Major operations	Unknown	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, which has occurred in 2025/26.	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. The Reserves Strategy does assess the adequacy of general balances with this issue forming part of that assessment.
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 annual 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.