

2025/26 BUDGET, PRECEPT AND MEDIUM TERM FINANCIAL STRATEGY**RISKS**

There are clearly numerous risks relating to the 2025/26 budget estimates and future financial projections. The key specific risks are set out below:

1. Pay Budget

The financial projections assume 2% for annual pay award from 2025/26 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 £1.3m in the second year. An inflation contingency has also been included of £0.7m to mitigate against the risk of a higher pay award and no further funding being provided.

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 (£4.1m for 2025/26) 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. 2025 Spending Review (SR)

Phase 1 of the 2025 Spending Review focused purely on 2025/26 and gave no indication for future years. Phase 2 will consider 2026/27 and beyond but no announcement has been made on how many years it will cover. Prudent forecasts have been made across the Medium Term Financial Forecast and will be updated once the SR has concluded, currently estimated to be in late spring.

5. Formula Funding Review

A review to the allocation of funding between forces was started in 2022 with initial consultation on work completed originally expected in Spring 2023, but no consultation was ever launched. Work on the review has now paused and there have been no announcements on when it may be reviewed.

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.

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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

Changes as a result of the devolution agenda could impact on the Medium Term Financial Strategy however given the complexities of differing boundaries within the South West this is not anticipated to be imminent.

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.
