



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Medium-Term Finance Plan 2024-25 to 2027-28

February 2024

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1. Introduction

- 1.1 This Medium-Term Finance Plan (MTFP) sets out an outline financial strategy to meet the requirements of Members' agreed vision and strategic priorities as set out in the Community Safety Plan. The investment strategy is sufficiently robust enough to support the strategic intent of our approach to integrated risk management planning but has the flexibility to anticipate and react to changes in our operating environment.
- 1.2 The current financial context of the Authority is set by the funding outcomes from the Government's 2021 Spending Review. Although this was a multi-year Spending Review, the Local Government Finance Settlement has continued to only provide confirmed funding for one year at a time. Future funding beyond 2024-25 is subject to the outcomes of the Governments Fair Funding Review, which will now not take place during this Parliament, meaning that any changes will not be made before April 2025. We very much hope that this will provide a full, multi-year settlement, enabling us to plan for the future with much more certainty.
- 1.3 In developing our financial plans for 2024-25 onwards we have identified a number of financial scenarios. We have also ensured that our plans are reflective of the investment needs required to mitigate and manage our strategic risks. We have also carried out a sensitivity analysis on some key areas such as the impact of varying levels of fire precept increase.
- 1.4 This is a dynamic document, integral to our financial management and will be updated in response to national, regional, and local issues when these affect the Authority's financial position.

2. Key messages

- The Authority has below average costs and have found over £11m of annual ongoing savings since being formed in 2016
- The Service is rated as 'Outstanding' for Efficiency and 'Good' for Effectiveness and People by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services
- There are a significant number of strategic financial challenges facing the Authority
- Financial uncertainty, including continuing one-year only financial settlements, high inflation, the lingering impact of the Covid-19 pandemic on local income and significant economic challenges, continue to make it difficult to do meaningful medium-term planning
- Currently the Authority is able to balance its budget for 2024-25, with increasing deficits of £2m in 2025/26 rising to £3.1m in 2027/28, however, these figures are at risk of increase due to the uncertainty around significant sums of grant funding
- Reserves will largely be exhausted over the lifetime of this plan unless savings are taken or income increased
- Local council tax flexibility remains a key issue.

3. Financial context

3.1 National context

3.1.1 In the Local government finance policy statement 2024 to 2025 published on 5 December 2023 the Government stated that it “remains committed to improving the local government finance landscape in the next Parliament” and that “At the 2023 to 2024 Settlement, we heard calls from the sector for stability. Now is not the time for fundamental reform, for instance implementing the Review of Relative Needs and Resources or a reset of accumulated business rates growth. This continues to be the government’s position.”

3.1.2 Outside of this fundamental reform, the Settlement for 2024-25 therefore represents the sixth one-year only local government finance settlement bringing with it continued significant financial uncertainty for all local authorities.

3.2 Impact on Dorset & Wiltshire Fire and Rescue Authority

3.2.1 The impact on the Authority of national funding changes is shown in the table below. The Settlement Funding Assessment (SFA) is the Government’s assessment of how much funding is allocated to each Authority and is made up of two parts, i.e.

- Baseline Funding Level (BFL): the amount the Government expects the Authority to receive from local business rates retention and top up grant
- Revenue Support Grant (RSG), centrally funded grant distributed; the Government’s aim is to phase this out and move further towards full funding from local business rates.

3.2.2 The RSG funding allocation for 2024-25 has been enhanced significantly by the inclusion of the Firefighters’ Pension Scheme grant, which was previously received separately. If you exclude the £2.7m received for this from the amounts below then, despite the ‘real’ terms increases since 2020, the Government’s Settlement Funding Assessment for the Authority has reduced by approximately £3.4m over the period 2016-17 to 2024-25.

Table: Settlement funding assessment (as at December 2023)

| | Baseline funding level | Revenue Support Grant | Settlement funding assessment |
|----------------|------------------------|-----------------------|-------------------------------|
| 2015-16 | 9.478 | 9.948 | 19.426 |
| 2016-17 | 9.567 | 8.069 | 17.636 |
| 2017-18 | 9.763 | 5.704 | 15.467 |
| 2018-19 | 10.056 | 4.493 | 14.549 |
| 2019-20 | 10.286 | 3.796 | 14.082 |
| 2020-21 | 10.453 | 3.858 | 14.311 |
| 2021-22 | 10.453 | 3.879 | 14.332 |
| 2022-23 | 10.453 | 3.998 | 14.451 |

| | | | |
|----------------|--------|-------|---------------|
| 2023-24 | 10.845 | 4.403 | 15.248 |
| 2024-25 | 11.314 | 7.398 | 18.712 |

3.2.3 The Government argues that the impact of these funding reductions is much less than this, when taking into account the full funding resources available to local government. They justify this by publishing a 'Core Spending Power' calculation for each Authority. The latest details of this calculation for the Authority for the period up to 2024-25 are shown in the following extract (table below) from The Department for Levelling Up, Housing and Communities published figures in the Provisional Local Government Finance Settlement for 2024-25.

Table: Government assessment of core spending power for the Authority

| | 2023-24 | 2024-25 |
|---|----------------|----------------|
| | £m | £m |
| Settlement funding assessment | 15.248 | 18.712 |
| Precepts (Council Tax) | 47.705 | 49.803 |
| Rural Services Delivery Grant | 0.058 | 0.058 |
| Funding Guarantee Grant | 0.155 | 0.991 |
| Services Grant | 0.423 | 0.067 |
| Compensation for under-indexing business rates multiplier | 1.847 | 2.196 |
| Core spending power | 65.436 | 71.827 |

3.2.4 Looking at this table, our Core Spending Power shows an increase of £6.4m for 2024-25, although £2.7m of that is due to the Firefighters' Pension Scheme grant included only in 2024-25. Excluding this amount, so you are comparing the same funding streams, there is a 3.7m or 5.7% increase. Unfortunately, this does not reflect the true reality of our funding position as the Settlement Funding Assessment includes estimates for business rates funding that do not reflect actual income locally.

3.2.5 The Services grant will continue into 2024-25, but has reduced by 84% to £67k. This was initially provided in 2022-23 "so local authorities can provide support across the entire sector in recognition of the vital services delivered at every level of local government." The authority received an initial share of this funding of £721k, this reduced to £423k in 2023-24 partly due to the change in Government policy regarding the increase in employer national insurance (NI) costs.

3.2.6 The Government introduced what was described as a "one-off funding guarantee" in 2023-24. This is to ensure that all local authorities, including FRAs, see at least a 3% increase in their Core Spending Power before any decisions about organisational efficiencies, use of reserves or council tax levels. The authority received a total of £178k in 2023-24, one of five FRAs to benefit from this. In 2024-25, thirty-one out of the forty-four English fire and rescue authorities will receive an allocation having hit the 3% threshold. The Provisional Settlement showed the Authority receiving £991k in 2024-25. The Provisional Settlement also

continues to provide a Rural Services grant to 'super-sparse' areas and our share of this is £58k, the same as last year.

- 3.2.7 On 24 January 2024 the Government announced additional funding for local government for 2024-25. This included increases to the funding to be provided through the Funding Guarantee and Rural Services Delivery grants. Details of our allocations will not be known until the Final Settlement is announced.

4. Service context

4.1 Strategic assessment of risk

- 4.1.1 To ensure that our Community Safety Plan (CSP) remains relevant and reflective of the wider landscape in which we operate, we undertake a biennial strategic assessment of risk.
- 4.1.2 This assessment examines a range of key factors that impact on our organisation from opportunities and challenges emerging from within the fire sector and those within the wider public-sector environment.
- 4.1.3 The assessment aims to help ensure that our planning and decision-making remains current and reflective of the landscape within which we operate. It is developed from analysis that draws on a broad range of information, data, and intelligence, looking both externally and internally and against risk and demand. All local resilience forum partners have been consulted during its production.
- 4.1.4 The document evidences a large number of key strategic issues facing the Authority within its current and future planning including:
- Financial volatility and uncertainty is set to continue for the foreseeable future
 - Greater demand on our Service due to fire safety legislation changes
 - The Service needs to engage and resource the emergency services mobile communications programme to improve future resilience of communications and incident management.
 - Global and national focus and need for organisations to ensure environmental sustainability
 - The increase of individuals and householders that the Service needs to engage with to reduce the number of deaths and serious injuries from fire or to prevent unnecessary hospital stays
 - Amending and investing into the duty system worked at Amesbury fire station
 - Ongoing challenges with recruitment, retention and availability of on-call resources
 - The diversity of the workforce is not sufficiently reflective of the community we serve
 - An ageing operational workforce will be a predominant feature of the Service for the foreseeable future
 - Better understand and improve the leadership capability of our workforce and way of working
 - Attracting, retaining and supporting the succession and talent management of our corporate staff
 - Sustainability of the Network Fire Service Partnership (NFSP)
 - Sustainability and resilience of ICT

- Strengthening the Service Control Centre (SCC)

4.1.5 Our Resourcing and Savings Programme work (see next section) has looked to address the financial consequences of these strategic risks and issues and, where appropriate, this is included in our budget forecasts later in this document. We have also earmarked reserves that are available to support some of these issues and these are discussed in more detail in Section 8.

5. Efficiency and value for money

5.1 About our efficiency plans

5.1.1 The Authority is a low spending, low funded organisation. We are very proud to have been graded as 'Outstanding' for Efficiency by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services. We are one of only three Services in England to achieve this grading in the Round 2 inspection process.

5.2 Approach to securing greater value for money

5.2.1 There is a comprehensive framework to achieving value for money (VFM) that centres a number of key themes:

- **Understanding investment need and delivery**
- **Benchmarking and adopting good practice**
- **Performance and productivity management**
- **Procurement and contract management**
- **Resources to risk and demand**
- **Maximising our partnership opportunities**
- **Streamlining our on-call firefighter recruitment**
- **Training and development**
- **Estates management**
- **ICT and information management systems**
- **Fleet and equipment**

5.2.2 Further details can be found in our Productivity and Efficiency Plan that is published on our website.

5.3 Resourcing and Savings Programme

5.3.1 Section 6 sets out our budget and medium-term finance plan in detail. Overall costs have increased significantly and despite the welcome increase in funding for 2023-24 with the £5 council tax flexibility this has not been sustained into 2024-25. The Service now faces some difficult choices to achieve a sustainable budget and medium-term finance plan after 2024-25. Officers have set a target of saving a further £2.5m annually within the next 12-24 months, based on the following indicative budget gaps:

Table: Indicative Funding Gaps/Deficits

| | 2024-25 £m | 2025-26 £m | 2026-27 £m | 2027-28 £m |
|-------------------------------------|---------------|---------------|---------------|---------------|
| Total funding | 73.919 | 73.972 | 75.514 | 77.105 |
| Estimated net service budget | 73.919 | 75.996 | 78.002 | 80.196 |
| Budget surplus(+)/deficit(-) | 0.000 | -2.024 | -2.488 | -3.091 |

5.3.2 Following the development of the new 2024-2028 Community Risk Management Plan (our Community Safety Plan), the Service will be reviewing the disposition and productivity of its operational resources. Whilst numerous changes have already been made to frontline delivery, a new comprehensive review of how we respond to fires and other emergencies has been completed. This review takes into account the changing picture of risk and demand in the Service area.

5.3.3 Having completed the comprehensive fire cover review, we know that, with some difficult decisions, we have opportunities to better match our resources to the risks we face. We must take these difficult decisions to adopt a risk-based approach to maximise the productivity and efficiency of the operational resources across the whole of the area in a financially viable and sustainable way. This will mean some challenging choices to stop, redesign and in some cases invest in operational response, with an overall objective to save £2.5m per year.

6. Budget 2024-25 and future years' forecasting

6.1 Finance assumptions and principles

6.1.1 The key finance assumptions and principles have been updated to ensure that they remain reflective of both our operating environment and our agreed strategic risks. Forecasts, projections and examples within this MTFP are reflective of these assumptions and principles. They are:

| | 2024-25 | 2025-26 onwards | financial impact of 1% variation |
|--|---|-----------------|----------------------------------|
| 1. Change in government funding settlement | +6.7% | +0.0% | £187k |
| 2. Change in council taxbase | +0.8% | +1.0% | £508k |
| 3. Core Council tax referendum threshold | +3.0% | +2.0% | £503k |
| 4. Change in Band D council tax | +2.99% | +1.99% | £503k |
| 5. Funding Guarantee Grant | £1.658m | £1.0m | £166k |
| 6. Fire Pensions Grant | £2.1m | £2.1m | £210k |
| 7. Pay award - Uniformed | +3.0% | +2.0% | £411k |
| 8. Pay award - Corporate | +3.0% | +2.0% | £170k |
| 9. Non-pay inflation* | various | +2% | £165k |
| 10. | Maintain General Balances at in line with the risk assessment | | |

* General provision only. Specific additional provision has been made on certain budget lines

6.2 Funding

6.2.1 Funding, in this context, is about how much money the Authority receives to pay for the services it provides. The primary source of funding comes from two main areas:

- **Government support** (grants from central Government and business rates retention from local authorities)
- **Precepts** (council tax collected from local taxpayers).

6.2.2 Government support

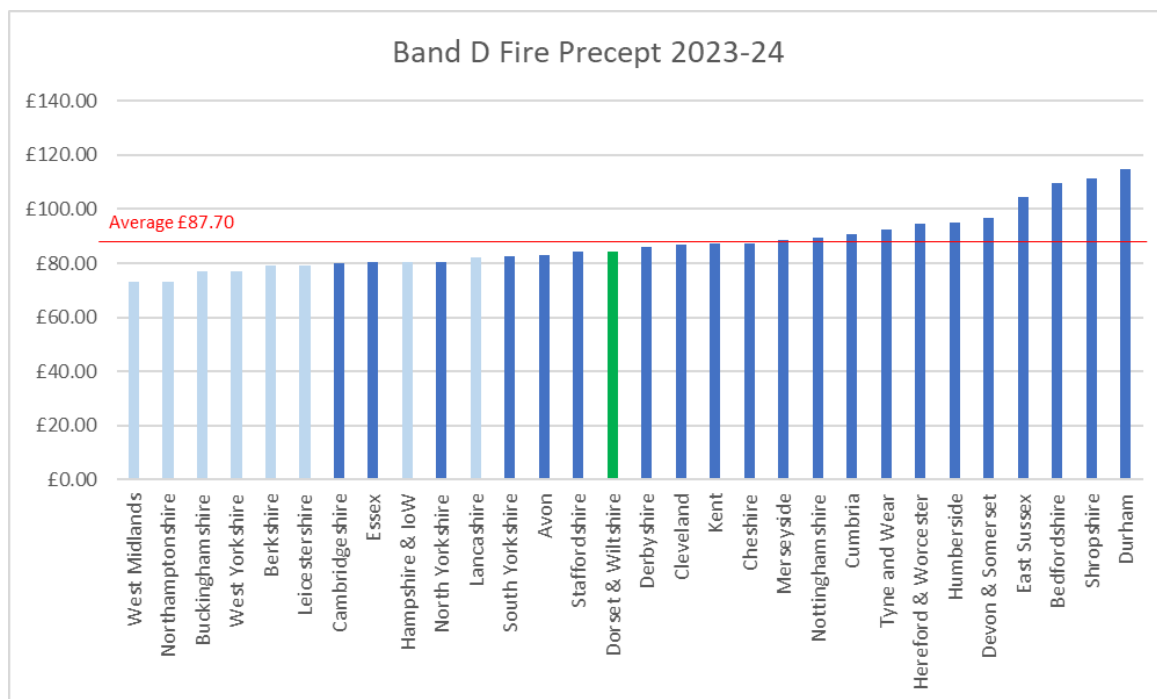
6.2.3 The Provisional Local Government Finance Settlement announced on 19 December 2023 showed a funding increase of £3.4m for 2024-25. This includes revenue support grant (RSG) increasing in line with September 2023 CPI of 6.7%, existing fire pensions grant rolling into RSG, an increase in assumed business rates income and our Top-Up grant, plus just over £1m in other grants. The Final

Settlement is expected to confirm this in early February 2024. The Government assume that all FRAs will increase their share of council tax by the maximum allowed within the 3% core referendum principle. Although the increase in funding is welcome, it is not sufficient to meet all of the funding pressures that we face, and comes with some significant uncertainty for future years.

- 6.2.4 The settlement for 2024-25 is also the sixth one-year only settlement provided by the Government. 2025-26 may see a further one-year settlement, depending on the timing of the General Election. Our expectation is that there would only be a full Spending Review undertaken after a General Election.
- 6.2.5 A new 'Services' grant was provided for in 2022-23 "so local authorities can provide support across the entire sector in recognition of the vital services delivered at every level of local government.". Our share of this funding was £721k, but included funding for the increase in employer national insurance (NI) costs from April 2022 related to the Government's new plan for health and social care. With the change in Government policy announced on 22 September 2022 the NI cost element of this grant was removed and our allocation for 2023-24 was reduced to £423k. It has been reduced further, to only £67k for 2024-25.
- 6.2.6 For 2023-24 the Government provided additional funding through a Funding Guarantee grant. This was signalled as 'for 2023-24 only' and to ensure that all local authorities, including FRAs, saw at least a 3% increase in their Core Spending Power before any decisions about organisational efficiencies, use of reserves or council tax levels. Our share of this funding amounted to £155k, and we were only of only three FRAs to benefit from this funding, the others being East Sussex and Hereford & Worcester.
- 6.2.7 The Government has decided to retain a Funding Guarantee for 2024-25, on a similar basis to 2023-24. Due to other decisions around funding nearly all standalone FRAs will benefit from additional grant for 2024-25. Our share has increased to £991k in the Provisional Settlement but is expected to increase in the Final Settlement. We have assumed an increase to £1.658m.
- 6.2.8 The Settlement also continues to provide a Rural Services grant to 'super-sparse' areas and our share of this in the Provisional Settlement was £58k. We expect this to increase to £67k in the Final Settlement. In total, our funding allocation includes grant funding of just over £1.8m where there is no certainty about it continuing beyond 2024-25.
- 6.2.9 **Precepts**
- 6.2.10 The Authority has a history of being a low funding, low spending authority. Currently, only 25% of our funding is provided centrally, with the remaining 75% coming from local council tax funding. This reflects the significant overall reduction in central funding that the Authority has seen since 2015-16.

The low level of funding inevitably places pressure on levels of fire precept. Our 2023-24 fire precept figure of £84.43 compares to a national average for all standalone FRAs of £87.70 (see graph below).

Graph: Band D Fire Precept 2023-24 (all standalone Fire and Rescue Authorities)



- 6.2.11 Precept flexibility remains the key financial issue for us. For some time we have put forward the case for local council tax flexibility and the option for a £5 de-minimis increase in the fire precept. This had some limited success for 2022-23, with the eight lowest-charging fire and rescue authorities being given £5 flexibility.
- 6.2.12 Further evidence was provided to Government in the build up to the 2023-24 Provisional Settlement. The National Fire Chiefs Council was able to provide additional evidence, particularly around the impact of the significant inflationary pressures being seen in the economy. Due to this work, for 2023-24 a £5 flexibility was provided to all standalone FRAs. The sector had pushed for this flexibility to continue into 2024-25, but the Government has decided to limit FRAs to the core 3% referendum principle.
- 6.2.13 The other main referendum principles proposed in the 2024-25 provisional finance settlement consultation document are:
- a core council tax referendum principle for all local authorities of up to 3%.
 - an adult social care (ASC) precept of 2%, for all authorities responsible for ASC services.
 - a bespoke council tax referendum principle of 3% or £5, whichever is higher, for shire district councils.
 - a referendum principle of £13 for police authorities.
 - no referendum principles for mayoral combined authorities or town and parish councils.

- 6.2.14 For planning purposes in this MTFP, we are then assuming fire precept Band D council tax increases of 1.99% for 2025-26 and subsequent years, as per Principle 4.
- 6.2.15 A 1% change in fire precept Band D or a 1% change in taxbase equates to approximately £508k per annum.
- 6.2.16 Taxbase levels have been significantly affected by the Covid-19 pandemic and increased levels of local council tax support requests but did show some signs of recovery in 2022-23 and 2023-24. This trend has stagnated for 2024-25, mainly due to continuing difficult economic times, and on average across the whole of the Authority area our taxbase for 2024-25 has increased by just over 0.8%, compared to an increase of 1.4% for 2023-24.
- 6.2.17 In establishing the indicative budget for 2024-25, funding from precepts to be issued to billing Authorities is estimated, based on a fire precept of £86.95 (an increase within the 3% core referendum principle) and the taxbase increase of 0.8%, to be as follows:

Table: Estimated precepts – billing Authorities

| Collecting Authority | Taxbase 2024-25 | Precept 2024-25 £000 |
|---|----------------------------|-------------------------------------|
| Bournemouth, Christchurch and Poole Council | 146,341 | 12,725 |
| Dorset Council | 153,850 | 13,377 |
| Swindon Borough Council | 78,345 | 6,812 |
| Wiltshire Council | 194,424 | 16,905 |
| TOTAL | 572,960 | 49,819 |

- 6.2.18 Given our assumptions for taxbase and fire precept Band D, funding from Precepts is estimated as follows:

Table: Estimated funding from precepts

| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|-----------------|----------------|------------------|------------------|------------------|------------------|
| | Actual | Estimated | Estimated | Estimated | Estimated |
| Band D increase | +£5 | +2.99% | +1.99% | +1.99% | +1.99% |
| Taxbase change | +1.4% | +0.8% | +1.00% | +1.00% | +1.00% |
| Taxbase | 568,180 | 572,960 | 578,690 | 584,476 | 590,321 |
| Fire precept | £84.43 | £86.95 | £88.68 | £90.44 | £92.24 |
| Precept | £47.971m | £49.819m | £51.318m | £52.860m | £54.451m |

- 6.2.19 There are also one-off collection fund surpluses and deficits reported by the billing authorities, which offset or add to the amount council tax income collected each year. Again, the Covid-19 pandemic severely affected collection levels and this led to a significant deficit in 2021-22. Our share of this was £656k and this has been

recovered over a 3-year period. 2023-24 was the final year and the amount to be charged was £211k. Additionally, there was an overall surplus of £589k related to 2022-23, resulting in a net surplus of £378k to be included in the 2023-24 budget.

6.2.20 Collection rates have fallen in 2023-24 and this has resulted in a much lower overall collection fund surplus of £186k that can included in the 2024-25 budget.

6.2.21 In summary, the table below shows the total funding assumed to 2026-27 based on the finance principles and assumptions above:

Table: Estimated Total Funding

| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|--|---------------|---------------|---------------|---------------|---------------|
| | Actual | Estimated | Estimated | Estimated | Estimated |
| | £m | £m | £m | £m | £m |
| Fire Precept (£m) | 47.971 | 49.819 | 51.318 | 52.860 | 54.451 |
| Council tax Collection Fund Surplus/Deficit(-) (£m) | 0.378 | 0.186 | 0.000 | 0.000 | 0.000 |
| Revenue Support Grant (RSG) (£m) | 4.403 | 7.398 | 7.398 | 7.398 | 7.398 |
| BRR and Top Up grant (£m) | 10.108 | 10.679 | 10.679 | 10.679 | 10.679 |
| Business rates Collection Fund Surplus/Deficit(-) (£m) | 0.147 | 0.600 | 0.000 | 0.000 | 0.000 |
| Other government grants | 3.706 | 5.237 | 4.577 | 4.577 | 4.577 |
| TOTAL | 66.713 | 73.919 | 73.972 | 75.514 | 77.105 |

6.3 Pay costs

6.3.1 Pay and pensions expenditure accounts for approximately 80% of the Authority's net revenue budget requirement. Consequently, the cost of pay awards and other contractual costs such as pay increments are a major factor when budgeting for future years.

6.3.2 Staffing costs represent a significant element of the overall budget requirement. Based on previously agreed financial principles we ordinarily assume year-on-year pay awards of 2% for all staff groups. Members will be aware that the Fire pay award for 2023 was 5%, following on from the 7% agreed for 2022. The local government pay award for 2023-24 was £1,925 or 3.88%, whichever was higher. The average cost of the award to the Authority is estimated to be around 5.8% based on our pay and grading structure. The impact of these pay awards were in excess of what the Authority had been able to budget for and the additional cost of £2.3m has now been built into the base budget allocation for 2024-25. Our projections for 2024-25 include a 3% increase for all staff groups before returning to 2% from 2025-26 onwards. The 3% assumption for 2024-25 adds a further £1.8m to the budget requirement. Anything more than 3% is unaffordable in the context of our overall financial position. A 1% variation in the pay award is worth approximately £550k.

6.3.3 The risk assessment of our General Reserves and Balances includes the potential impact of pay variation, although this would only cover the in-year cost of an increased award and would not account for the cumulative effect in subsequent years.

6.4 Pensions

6.4.1 As Members are aware, our employer pension costs have increased significantly in the recent years, firstly as a result of the 2016 valuation of the Firefighters' Pension Scheme (FPS), which set the employer contribution rate from April 2019, and then an increase in rates following the 2019 triennial Local Government Pension Scheme (LGPS) valuation. The Government has continued to fund 90% of the additional FPS cost by way of additional grant, with this Authority receiving £2.7m per year. This funding has now been included in our main Settlement Funding Assessment from 2024-25.

6.4.2 We expected to see a further increase in employer contribution rates for the FPS following the 2020 Scheme valuation as costs associated with the McCloud remedy and other FPS scheme valuation changes impact. The new employer contribution rate applying from April 2024 has now been confirmed. This shows the contribution rate increasing from 28.8% to 37.6%. Employer costs are currently budgeted at £6.8m and the increase in contribution rates is estimated to cost an additional £2.1m. The Home Office will be funding this increased cost with a new fire pensions grant but this grant is currently only guaranteed for 2024-25. Funding in future years is dependent on the outcomes of the next Comprehensive Spending Review.

6.4.3 Following the 2022 triennial valuation of the Local Government Pension Scheme our employer contribution rate for the three years from April 2023 has remained at 21.5%. The next valuation will take place in 2025.

6.4.4 Other budget issues and risks

Over the past few financial years, the Service has been provided with some one-off funding by the Home Office to support new protection and building safety requirements post-Grenfell. In 2020-21 £339k was provided, with a further £316k provided in 2021-22 and £271k provided in 2022-23 and 2023-24. These sums have supported some initial short-term investment in resources but are all now spent. Our financial plans assume that there will be further one-off funding made available in 2024-25 at the same level as in 2023-24.

The level of general inflation in the economy as a whole has increased significantly from late 2021, right through 2022, before showing some reduction in the later months of 2023. The annual rate of inflation published for December 2021 was running at 5.4%, rising to 10.1% by September 2022, and then falling to 6.7% in September 2023. We have continued to see significant price pressures across all budget lines, revenue and capital, throughout this period. Inflation increases also need to be factored into budgets where there is a contractual or legal commitment or for items beyond our control, such as utility costs. Base non-pay budgets will

have increased by an estimated £1m more by 2025-26 than was estimated in February 2022.

6.5 2024-25 budget requirement

6.5.1 Taking all of the changes into account, the net budget requirement for 2024-25 is £73.919m as summarised:

Table: Budget requirement 2023-24

| | Budget 2024-25 £m |
|-------------------------------|----------------------------------|
| Revenue Budget | |
| - Employees | 60.217 |
| - Premises | 4.590 |
| - Transport | 1.545 |
| - Supplies & services | 6.181 |
| - Agency & contracted out | 2.997 |
| - Democratic representation | 0.116 |
| - Capital financing/leasing | 5.113 |
| - Income | -6.026 |
| - Transfers to/from reserves | -0.814 |
| Net budget requirement | 73.919 |

6.6 Medium Term forecast

6.6.1 The table below shows updated projections of the Authority's budget requirement from 2023-24 to 2026-27 based on the agreed Financial Principles, current data received from our constituent authorities, Service spending proposals and our Strategic Assessment of Risk, previously outlined in Section 3.

Table: Estimated revenue budget 2023-24 to 2026-27

| Revenue budget | 2023-24 £m | 2024-25 £m | 2025-26 £m | 2026-27 £m |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| - Employees | 53.850 | 60.217 | 61.027 | 62.016 |
| - Premises | 4.392 | 4.590 | 4.553 | 4.543 |
| - Transport | 1.658 | 1.545 | 1.516 | 1.542 |
| - Supplies & services | 5.900 | 6.181 | 6.548 | 6.651 |
| - Contract out services | 2.816 | 2.997 | 3.044 | 3.038 |
| - Democratic rep | 0.113 | 0.116 | 0.118 | 0.120 |
| - Capital financing | 4.313 | 5.113 | 5.030 | 5.220 |
| - Reserve transfers | -6.412 | -6.026 | -5.508 | -5.244 |
| - Income | -0.639 | -0.814 | -0.332 | 0.116 |
| Service budget requirement | 65.991 | 73.919 | 75.996 | 78.002 |

6.6.2 Looking beyond 2024-25, based on our funding assumptions and forecast spending plans we have indicative funding deficits of £2.0m rising to £3.1m between 2025-26 and 2027-28 respectively:

Table: Indicative funding gaps/deficits

| | 2024-25 £m | 2025-26 £m | 2026-27 £m | 2027-28 £m |
|---|---------------|---------------|---------------|---------------|
| Total funding | 73.919 | 73.972 | 75.514 | 77.105 |
| Estimated net service budget | 73.919 | 75.996 | 78.002 | 80.196 |
| Budget surplus (+) / deficit (-) | 0.000 | -2.024 | -2.488 | -3.091 |

6.6.3 To achieve a more sustainable medium-term financial position our assessment is that there is a need for continued council tax flexibility in future years. The table below illustrates the beneficial impact of a further £5 increase in the fire precept for 2025-26, which would deliver £1.9m of additional funding:

Table: Indicative Funding Deficits, with £5 precept increase in 2025-26

| | 2024-25 £m | 2025-26 £m | 2026-27 £m | 2027-28 £m |
|-------------------------------------|---------------|---------------|---------------|---------------|
| Total funding | 73.919 | 75.865 | 77.466 | 79.118 |
| Estimated net service budget | 73.919 | 75.996 | 78.002 | 80.196 |
| Budget surplus(+)/deficit(-) | 0.000 | -0.131 | -0.536 | -1.078 |

6.6.4 Alternatively, continuation of the 2.99% core referendum principle past 2024-25 would provide some additional funding, although not enough to achieve the more sustainable medium-term financial position that we are seeking. The table below illustrates this scenario:

| | 2024-25 £m | 2025-26 £m | 2026-27 £m | 2027-28 £m |
|-------------------------------------|---------------|---------------|---------------|---------------|
| Total funding | 73.919 | 74.476 | 76.561 | 78.729 |
| Estimated net service budget | 73.919 | 75.996 | 78.002 | 80.196 |
| Budget surplus(+)/deficit(-) | 0.000 | -1.520 | -1.441 | -1.467 |

6.6.5 To bridge the indicative budget deficits, the Service will use its reserves and balances to support Service transformation and the associated transition costs and look to find further reductions in budgets and/or cost efficiencies through the Resourcing and Savings Programme.

7. Capital expenditure and financing

7.1 Capital expenditure programme

7.1.1 The capital programme, covering the anticipated revised programme for 2023-24 and requirements through to 2027-28, is shown in the table below. The revised amounts shown for 2023-24 include projects carried forward from 2022-23 and anticipated in-year changes to the programme.

7.1.2 The capital programme for 2024-25 totals £14m, the majority of which will require funding through prudential borrowing.

Table: Capital programme

| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|--------------------------------|--------------|---------------|--------------|--------------|--------------|
| | Estimate | Indicative | Indicative | Indicative | Indicative |
| Capital Budget | £m | £m | £m | £m | £m |
| Property/Estates | 1.437 | 7.996 | 2.875 | 1.437 | 1.473 |
| Vehicles | 4.450 | 3.284 | 2.744 | 2.521 | 6.444 |
| Equipment | 0.238 | 0.358 | 1.836 | 1.485 | 1.322 |
| ICT | 0.970 | 2.390 | 2.170 | 1.228 | 0.445 |
| TOTAL | 7.094 | 14.028 | 9.624 | 6.671 | 9.684 |
| Financed By | | | | | |
| Prudential Borrowing | 5.636 | 9.839 | 6.067 | 3.368 | 9.084 |
| Revenue Contributions/Reserves | 1.458 | 4.189 | 3.557 | 3.303 | 0.600 |
| TOTAL | 7.094 | 14.028 | 9.624 | 6.671 | 9.684 |

7.1.3 The 2024-25 programme includes the outcomes of property conditions surveys, identifying the property assets in most need of attention now and over the next few years, based on risk and priority, and generally reflects a 7-year refresh cycle. The Estates programme also includes the required investment to deliver the project to provide future-proofed operational training facilities at Devizes Training Centre and Weymouth Fire Station.

7.1.4 Vehicles are regularly reviewed and are subject to the long-term vehicle replacement policy. The 2024-25 capital programme includes replacement of four large fire appliances, a large off-road fire appliance, six officer response vehicles and a number of other smaller vehicles. Over the following 5 years there is provision to replace a further twenty-two large fire appliances, four 4x4 fire appliances and a number of other specialist and smaller vehicles. The requirements for specialist and general vehicles are all reviewed through the Resourcing and Savings Programme. Each project looks at the best way of providing the required functions, and covers consideration of vehicles, equipment, technology and crewing requirements.

7.1.5 The main focus of the programme for equipment in 2024-25 is to support operational equipment requirements linked to the vehicle replacement programme. This includes supporting the specialist response reviews outlined above.

7.1.6 Ongoing ICT requirements are aligned to the plans set out in the ICT Strategy 2021-2024 and this includes information governance and security, operational communications, ICT resilience, technology management, digital transformation, and business intelligence and data management. The capital programme includes the equipment and systems requirements to support the strategy including investment required to replace the mobilising system used in Fire Control.

7.2 **Financing the capital programme**

7.2.1 The table in 7.1.2 above also shows the assumptions currently being made about financing the capital programme. Capital expenditure is generally funded by a number of sources, namely capital receipts, revenue contributions, specific grants and contributions and through prudential borrowing.

7.2.2 Capital receipts from the disposal of existing capital assets can only be used to fund expenditure on new capital assets. At the current time, all available capital receipts of the Authority have been used to finance previous capital expenditure programmes.

7.2.3 The Authority can make revenue contributions to the cost of its capital expenditure, either direct from its revenue budget or from earmarked reserves. Previously the Authority has been able to use some reserves to offset long-term borrowing in supporting its capital investment plans. Savings planned in the revenue budget in recent years have allowed the Authority to set aside funds to support future capital investment and reduce borrowing costs. These are shown in the Reserves Strategy. The revenue budget also includes an annual contribution of £600k to support the financing of the capital programme. Additionally, a one-off amount of £500k is included in 2024-25.

7.2.4 Specific grants for capital funding are no longer available, having been replaced with a capital and revenue grant bidding system open to all FRSs, if and when monies are made available by Government. We do not anticipate any new capital grants for 2024-25.

7.2.5 The Authority will first utilise all of the funding streams highlighted above as the cheapest form of funding, but any shortfall of funding has to be made up from prudential borrowing.

7.2.6 The Prudential Code for Capital Expenditure for Local Authorities allows local authorities to undertake unsupported borrowing. This type of borrowing has revenue implications for the Authority in the form of financing costs, which vary depending on the amount and the length of any loan taken out. The Authority looks to match its borrowing with the lifespan of assets purchased.

- 7.2.7 The Authority has used internal borrowing for the financing the capital programme for a number of years, i.e. rather than borrowing we have used internal cash flows as this has been more efficient and economical, particularly as investment returns have been at such low levels. This has resulted in an under-borrowing position of £16.3m at 31 March 2023, and we estimate this strategy has resulted in annual budget savings in excess of £500k. Such a position is not sustainable in the longer term and needs to be balanced with how we utilise our reserves and balances and ensuring that our cash balances are adequate. The Authority borrowed £5m in November 2021 but has not undertaken any further long-term borrowing since. In June 2022 £3m of short-term borrowing was required for cashflow purposes. The Authority expects to borrow up to £5m before the end of the 2023-24 financial year to support cashflow requirements. The current strategy is to undertake short-term borrowing due to currently high long-term borrowing rates. New long-term borrowing will be delayed until interest rates have reduced.
- 7.2.8 The savings made in capital financing costs allow the Authority to set aside £600k each year to reduce the long-term capital financing and borrowing requirements. This is a sensible strategy to reduce the pressure on future budgets from unsustainable rises in capital financing costs. It would be prudent for the Authority to set aside further sums when circumstances allow.
- 7.2.9 The capital financing budget currently includes provision for prudential borrowing of £9.8m in respect of 2024-25 programme, with a further £18.5m to be borrowed over the following three years to 2027-28. The estimated total over the four years is therefore £28.3m.

8. Reserves strategy

8.1 Introduction and background

- 8.1.1 The Authority needs to maintain separate reserves and balances to help deal with unexpected contingencies and specific risks that cannot be managed within the annual revenue budget, and to provide a working balance to help manage cash flow fluctuations arising from their normal business activities. An annual review of reserves is carried out as part of the budget setting cycle.
- 8.1.2 Section 43 of the Local Government Finance Act 1992 requires that, when setting the budget for the forthcoming year, precepting authorities should have regard to the level of reserves needed to provide sufficient resources to finance estimated future expenditure, plus any appropriate allowances that should be made for contingencies.
- 8.1.3 Best practice on the use and management of reserves and balances is provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority Accounting Panel (LAAP) guidance, specifically LAAP Bulletin 99 - 'Local Authority Reserves and Balances'. This was issued in July 2014, but since then many references have been made to the scale of public sector reserves by various parties.
- 8.1.4 In May 2018, the Government published the new Fire and Rescue Services Framework which introduces a requirement for Combined Fire and Rescue Authorities to publish a Reserve Strategy on their website and outlined the detail which should be included. The Reserves Strategy forms part of our Medium-Term Finance Plan.

8.2 Strategic context

- 8.2.1 There are a number of reasons why a Fire and Rescue Authority might hold reserves, these include to:
- (a) mitigate potential future risks such as increased demand and costs;
 - (b) help absorb the costs of future liabilities;
 - (c) temporarily plug a funding gap should resources be reduced suddenly;
 - (d) enable the Authority to resource one-off policy developments and initiatives without causing an unduly disruptive impact on Council Tax; and
 - (e) spread the cost of large-scale projects which span a number of years.
- 8.2.2 Reserves only provide one-off funding, so the Authority aims to avoid using reserves to meet regular and ongoing financial commitments, other than as part of a sustainable medium-term budget plan.
- 8.2.3 **Long-term sustainability** – reserves are an essential tool to ensure long term budget stability particularly at a time when the Authority is facing significant year on year reductions in grant funding over the medium term.

- 8.2.4 Reserve balances have been identified as a key indicator of financial health and the Authority continues to have an appropriate level of reserves to deal with identified risks. As a minimum, there are sufficient balances to support the budget requirements and provide an adequate contingency for budget risks.
- 8.2.5 There are two different types of reserve, and these are:
- (a) **General balances** – this reserve is non-specific and is held to fund any unforeseen spending that had not been included in the base budget e.g. excessive operational activity resulting in significant retained pay costs
 - (b) **Earmarked reserves** – these reserves are held to fund a specific purpose and can only be used to fund spending associated with that specific purpose. Should it transpire that not all of the agreed funds are required then unused earmarked reserves will be returned to General Balances.
- 8.2.6 **Provisions** are also held in addition to reserves providing funding for a liability or loss that is known with some certainty that is expected to occur in the future, but the timing and amount is less certain.
- 8.3 **Risk assessment to determine the adequacy of general balances**
- 8.3.1 As a well-managed Authority, we strive to maintain as low a level of General Balances as possible, whilst still covering our financial risks. Being a single-purpose authority, we have no opportunity to use cross-service subsidies to meet unanticipated expenditure and so, proportionally, our General Balance may be slightly higher than for a multi-purpose authority.
- 8.3.2 The Authority has a robust approach to managing risk and there are effective arrangements for financial control in place. That said, given the high level of influence that third parties, such as the Local Government Employers and Government departments, have on its income and expenditure, there is always a risk that the Authority will unexpectedly become liable for expenditure that it has not budgeted for.
- 8.3.3 The Authority previously set General Balances at £2.5m or 5% of the annual revenue budget, whichever is the higher. Given the increase in budget over the last two years the £2.5m figure is no longer relevant. Moving forwards the level of General Balances will be managed in line with the risk assessment shown in Appendix A.
- 8.3.4 The risk assessment of the adequacy of General Balances is carried out annually to determine the extent to which the Authority is exposed to uninsured and unbudgeted losses. The risk assessment for the coming financial year, 2024-25, has been prepared as part of the budget setting process. The impact and scale of potential losses has been estimated to calculate a potential net financial impact of around £3.15m. At the start of 2024-25 General Balances are expected to be at £3.1m and will increase to £3.15m during the year.

8.4 Annual review of earmarked reserves

8.4.1 The Authority has a number of earmarked reserves which have been established for specific purposes where there have been timing differences at budget setting or year end, or emerging risks or cost pressures. The relevance of, and balance in, each of these is reviewed annually and the Authority is informed of the latest plans for the balances held in such reserves. As part of the annual review of reserves, earmarked reserves are presented in broad categories and analysed as outlined below.

Earmarked reserves – investment for improvement

8.4.2 A significant amount of funding has been set aside in reserves to support the change activity of the Authority through the delivery of the Community Safety Plan. 'Investment for improvement' reserves have, and are being, used to invest in transformation projects and the development of our people which will support the modernisation of the Service. Where we are able to make base budget savings we plan to release Budget and Funding Reserves to support capital investment (see 8.4.4 below).

These 'investment for improvement' reserves, which are subject to regular review, are detailed below:

Table: Investment for improvement

| | Balance 1 Apr 23 £m | Forecast spend 23-24 £m | Forecast Balance 31 Mar 24 £m | Forecast spend 24-25 to 27-28 £m | Forecast Balance 31 Mar 28 £m |
|---|-------------------------------|--------------------------------------|--|--|---|
| Budget and Funding | 2.255 | 0.800 | 3.055 | -3.055 | 0.000 |
| Purpose - This reserve provides funding to meet one-off costs associated with any changes that the Service needs to make and provides cover for shortfalls in funding predicted in our MTFP. | | | Risk – This reserve has helped to mitigate the financial risks associated with budget pressures and future funding uncertainty caused by successive one-year funding settlements. | | |
| Leadership & organisational development | 0.077 | 0.000 | 0.077 | -0.077 | 0.000 |
| Purpose - This reserve is supporting our leadership and organisational development programme work. | | | Risk – This reserve mitigates the financial risk of higher initial investment costs. | | |
| TOTAL | 2.332 | 0.800 | 3.132 | -3.132 | 0.000 |

Earmarked reserves - capital replacement and development

8.4.3 Previously the Authority has been able to use some reserves to offset long-term borrowing in supporting its capital investment plans. Savings planned in previous budgets allowed us to add funds to our Capital Financing Reserve to support future capital investment and reduce borrowing costs. This meant that there is currently £9.5m available to support capital investment moving forwards, and in

particular provide funding for essential investment in training facilities and a new mobilising system.

- 8.4.4 Planning for the Capital Programme is undertaken as part of the annual budget setting programme and so each year the Authority has the opportunity to review the funding options of the programme. The forecast use of capital replacement reserves will be determined by that programme. Given that it is prudent to maintain the long-term strategy to reduce reliance on external borrowing to fund capital expenditure, we will look to set aside further funds for capital replacement wherever possible.

Table: Capital replacement and development reserves

| | Balance 1 Apr 23 | Forecast spend 23-24 | Forecast Balance 31 Mar 24 | Forecast spend 24-25 to 27-28 | Forecast Balance 31 Mar 28 |
|--|-----------------------------|-------------------------------------|---|--|---|
| | £m | £m | £m | £m | £m |
| Capital Replacement | 9.512 | 0.433 | 9.079 | -8.749 | 0.330 |
| Purpose - These reserves have been established to provide contributions towards the costs of funding future capital programmes. | | | Risk – This reserve helps to reduce the need for external borrowing to support capital projects, thereby reducing long-term capital financing costs that would otherwise have to be funded through the revenue budget. | | |
| TOTAL | 9.512 | 0.433 | 9.079 | -8.749 | 0.330 |

Earmarked reserves - specific projects

- 8.4.5 The Authority may establish earmarked reserves for items which have been identified through a business case, to address a specific risk or complete a specific project. These may form part of the planning cycle, either addressing a risk or maintaining the status quo rather than being potential improvement activities. Expenditure will normally be spread over several financial years but there may be instances where a longer-term risk has been identified and provided for which may exceed the MTFP period.
- 8.4.6 These one-off reserves will be reviewed annually and either utilised, maintained or enhanced. Any unspent funds remaining at the end of any specific projects may be transferred to an alternative reserve, such as investment for improvement or Capital Replacement Reserve.

Table: Specific projects reserves

| | Balance 1 Apr 23 £m | Forecast spend 23-24 £m | Forecast Balance 31 Mar 24 £m | Forecast spend 24-25 to 27-28 £m | Forecast Balance 31 Mar 28 £m |
|---|---------------------------|----------------------------------|--|--|---|
| Service control | 0.436 | -0.300 | 0.136 | -0.136 | 0.000 |
| <p>Purpose - The Authority is part of a multi-service initiative through our Networked Fire Service Partnership (NFSP) with Devon & Somerset FRS, Hampshire & IoW FRS and Kent FRS for the provision of Control systems. The reserve supports our share of any one-off new investment required by NFSP that cannot be funded within the revenue budget.</p> | | | <p>Risk – This reserve mitigates the financial risk of any one-off new investment required by NFSP.</p> | | |
| Emergency Services Mobile Communications Programme (ESMCP) | 0.545 | -0.045 | 0.500 | -0.500 | 0.000 |
| <p>Purpose - The Authority has committed to be part of the ESMCP national project which provides the technology and network to allow Emergency Services a dedicated method of communication whilst being more financially efficient than its predecessor. Whilst funding has been allocated by the Home Office there is a need to support the project beyond this funding. £500k is notionally set aside for one-off purchase costs. The balance is funding our own programme costs that cannot be covered by grant funding.</p> | | | <p>Risk – This reserve helps to mitigate against currently unknown costs related to this national project. If the project was cancelled, there is also a risk that the current Airwave facility will cost the Authority more.</p> | | |
| TOTAL | 0.981 | -0.345 | 0.636 | -0.636 | 0.000 |

Earmarked reserves – other reserves

- 8.4.7 Some reserves are earmarked for supporting any shortfalls in future revenue budgets which are identified during the development of the Medium-Term Financial Plan.
- 8.4.8 These earmarked reserves, which are subject to regular review, are detailed below: -

| | Balance 1 Apr 23 £m | Forecast spend 23-24 £m | Forecast Balance 31 Mar 24 £m | Forecast spend 24-25 to 27-28 £m | Forecast Balance 31 Mar 28 £m |
|--|---------------------------|----------------------------------|---|--|---|
| Ill-Health Retirement | 0.177 | -0.032 | 0.145 | -0.019 | 0.124 |
| <p>Purpose - For the Firefighters' Pension Scheme, the cost of ill-health retirements and any injury compensation granted has to be paid locally. This includes one-off contributions that have to be made by employers. The revenue budget includes a base amount of £50k.</p> | | | <p>Risk – The reserve mitigates the financial risks of any cost shortfalls over the £50k base budget amount.</p> | | |
| Insurance | 1.233 | -0.000 | 1.233 | 0.000 | 1.233 |
| <p>Purpose - This reserve meets the costs of insurance claims that are within the self-insurance limits of our various insurance policies, principally £75k for motor and £100k for employers liability.</p> | | | <p>Risk – The reserve mitigates the financial risk of substantial claims that the Authority has to fund before</p> | | |

| | | | | | |
|--|--------------|---------------|---|---------------|--------------|
| | | | external insurers pick up the cost of claims. | | |
| Leasing Rental | 0.241 | -0.085 | 0.156 | -0.156 | 0.000 |
| Purpose - This reserve funds the annual rental costs of leasing our Service Headquarters. It is supporting the initial 10-year leasing period to February 2026. | | | Risk – N/A | | |
| TOTAL | 1.651 | -0.117 | 1.534 | -0.175 | 1.359 |

Unused grants reserves

- 8.4.9 These reserves relate to grants which have been given to the Authority, which have either not been fully spent or have been received in advance of intended spend. Where a grant has been received in advance, the Authority's policy is to transfer the funding to an earmarked reserve for spending in future years. Specifically, timing differences have arisen on a number of grants relating to Prevention, funding for National Resilience, Fire Protection, Transformation and Emergency Services Mobile Communications Project.
- 8.4.10 The Authority has received some specific additional funding to help mitigate the effects of the Covid-19 pandemic and this has now all been fully utilised.
- 8.4.11 Other 'smaller' grants are reviewed annually as part of the budget process to assess whether they are still needed. It is not anticipated that any of the current balances will be carried forward beyond the medium-term financial plan.

Table: Unused grants reserves

| | Balance 1 Apr 23 £m | Forecast spend 23-24 £m | Forecast Balance 31 Mar 24 £m | Forecast spend 24-25 to 27-28 £m | Forecast Balance 31 Mar 28 £m |
|---|---------------------------|----------------------------------|---|--|---|
| Prevention | 0.278 | -0.018 | 0.260 | -0.260 | 0.000 |
| National resilience | 0.208 | -0.050 | 0.158 | -0.158 | 0.000 |
| Fire protection | 0.027 | 0.000 | 0.027 | -0.027 | 0.000 |
| Transformation grant | 0.235 | -0.075 | 0.160 | -0.160 | 0.000 |
| Emergency Services Mobile Communication Project (ESMCP) | 0.750 | 0.000 | 0.750 | -0.750 | 0.000 |
| Covid-19 | 0.211 | -0.211 | 0.000 | 0.000 | 0.000 |
| Other small grants | 0.426 | -0.136 | 0.290 | -0.290 | 0.000 |
| TOTAL | 2.135 | -0.490 | 1.645 | -1.645 | 0.000 |

Summary - Projected reserve balances

Table: Summary - Projected reserve balances

| | Balance 1 Apr 23 £m | Forecast spend 23-24 £m | Forecast Balance 31 Mar 24 £m | Forecast spend 24-25 to 27-28 £m | Forecast Balance 31 Mar 28 £m |
|-------------------------------|-------------------------------|--------------------------------------|---|--|---|
| General reserves | 3.052 | 0.050 | 3.102 | 0.227 | 3.329 |
| Earmarked reserves | 14.476 | -0.095 | 14.381 | -12.692 | 1.689 |
| Unused grants reserves | 2.136 | -0.491 | 1.645 | -1.645 | 0.000 |
| TOTAL | 19.664 | -0.536 | 19.128 | -14.110 | 5.018 |

Appendix 1 – General reserves risk assessment

| Budget | Budget Provision 2024-25 £m | Risk | Risk >8 = High 5-8 = Med <5 = Low | 2024-25 £m | Commentary |
|---|-----------------------------|---|--|------------|---|
| Wholetime and On-call Pension Contributions | 9.251 | Increase in employer contribution rates for the Firefighters Pension Schemes and risk to sustainability of new pensions grant | High | 0.210 | With the employer contribution rates increasing significantly from April 2024 our employer contributions now total more than £9.2m per year. The April 2024 increase accounts for approximately £2.1m and should be funded by Government grant, but this funding is not confirmed after 2024-25. Any provision in future years is unlikely to increase with inflation. Assuming that the grant continues, but only funds 90% of the costs in future years, as the previous pensions grant did, equates to a budget risk of £210k. |
| Wholetime and On-call Pay | 38.794 | Risk of industrial action / inability to respond to emergency incidents | High | 0.250 | This continues to be a high risk given the financial pressures on all public sector organisations, the potential for service changes in the future, public sector pay negotiations in the current economic climate and changes to public sector pensions. Amount based on historic costs. A nominal sum is assessed for sustained industrial action and business continuity measures. |
| Pay | 56.564 | Under-estimate of pay awards by 1.0% | High | 0.566 | The revenue budget allows for pay awards of 3% in 2024-25 and 2% thereafter. Given the current economic climate it would be prudent to recognise this as a high financial risk. £566k would cover the full year effect of a 1% variation across all staffing groups. |

| Budget | Budget Provision 2024-25 £m | Risk | Risk >8 = High 5-8 = Med <5 = Low | 2024-25 £m | Commentary |
|--|-----------------------------|---|---|------------|--|
| On-call Pay | 10.255 | Impact on the On-call pay budget of large-scale incidents or other periods of high activity such as those due to spate weather conditions | High | 0.513 | These sorts of events can all lead to significant increases in operational activity. As a largely On-call “pay as you go” service, this represents a particular risk to the Service and allowance needs to be made for increased activity and costs by On-Call firefighters. The budget for On-call firefighting is approximately £10.25m, so £513k represents around a 5% variation. |
| External Funding - Settlement Funding Assessment | -18.712 | Future reductions in Government funding are worse than planned / forecast | Medium | 0.374 | The Medium Term Financial Plan (MTFP) assumes that our Government funding will stay the same in cash terms each year beyond 2024-25. There is a potential for future reductions in base funding given the current economic climate and spending pledges made by Government. We also receive a number of grant streams from Government that are not guaranteed in base funding and therefore a risk of removal. A 2% variation would equate to roughly £374k. |
| External Funding - Precepts | -49.819 | Collection rates for council tax and business rates are worse than forecast | Medium | 0.249 | Financial risk around income from council tax and business rates from billing authorities, which were already becoming more volatile, and presenting new funding risks for major precepting authorities, have increased further following the Covid-19 pandemic and the 'Cost of Living' crisis. Our taxbase (equivalent band D properties) was impacted by the pandemic and reduced by 0.7% for 2021-22, due to increases in claims for local council tax support. More generous local council tax support schemes have been put in place from 2024-25 and our taxbase is only increasing by 0.84%. Future budgets now assume 1% increases. A variation of 0.5% could result a loss of more than £249k in income. |

| Budget | Budget Provision 2024-25 £m | Risk | Risk >8 = High 5-8 = Med <5 = Low | 2024-25 £m | Commentary |
|--------------------------|-----------------------------|--|--|------------|--|
| On-call Pay | 10.255 | Increased take up of pension entitlement by On-call Duty System personnel | Medium | 0.110 | Our revenue budgets do not allow for an increase in pension uptake, but this risk is more likely to materialise now, as a result of “automatic enrolment” and increasing numbers. |
| Legal Fees | 0.199 | Uninsured risks and / or unfavourable outcomes from claims against the Authority - including health and safety risks, procurement challenges, employment issues, etc | Low | 0.150 | The Authority maintains comprehensive insurance arrangements, but these cannot cover all possible risks or potential legal claims. For instance, there are some uninsured risks not covered, such as equal pay, negligence, or discrimination claims. |
| Major Incident - Bellwin | N/A | Contribution to major incident not covered by Bellwin | Low | 0.148 | In the event of further incidents occurring in Dorset or Wiltshire that would be subject to a Bellwin Scheme claim the Authority would be required to make meet the initial costs up to the threshold, a contribution equivalent to 0.2% of its revenue budget, equating to approximately £148k. |
| Non-pay | 16.534 | Failure to adequately provide for non-pay inflation | Low | 0.331 | Our budgets allow for some general price inflation, as well as specific contractual inflation in certain circumstances. Given the current economic climate and significantly higher levels of inflation seen in the last few months the budget includes higher levels of price inflation than would normally be the case. However, even with these higher than normal increases they may not be fully sufficient to manage the impact of rising costs. |

| Budget | Budget Provision 2024-25 £m | Risk | Risk >8 = High 5-8 = Med <5 = Low | 2024-25 £m | Commentary |
|--|-----------------------------|--|---|---------------|---|
| Total Costs | 72.864 | General contingency for unidentified items | Medium | 0.250 | This is a general contingency sum to cover the risk that the Service would be unable to manage a significant one-off cost not covered specifically above. This could, for example, be a requirement to undertake some major unplanned property works. |
| General Balances Risk Assessment (£m) | | | | 3.150 | |
| Budget 24-25 (£m) | | | | 73.919 | |
| General Balances Risk Assessment/Budget as a percentage (%) | | | | 4.3% | |