



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Medium-Term Finance Plan 2025-26 to 2028-29

February 2025

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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 2024-28. 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 As Members are aware, the current financial context of the Authority is still subject to single year Local Government finance settlements, which has been the case since the then Government's 2021 Spending Review. The future funding position beyond 2025-26 remains uncertain, but the provisional Local Government finance settlement for 2025-26 makes reference to funding simplification in the 2026-27 settlement. We very much hope that this will provide a full, multi-year settlement, enabling us to better plan for the future with more certainty.
- 1.3 In developing our financial plans for 2025-26 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 has found over £11m of annual ongoing savings since being formed in 2016
- 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 2025-26, with increasing deficits of £1.38m in 2026/27, rising to £1.76m in 2028/29. However, these figures are at risk of increase due to the uncertainty around future financial settlements and pay negotiations outside of the Authority's direct control.
- 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 provisional Local government finance statement 2025 to 2026 published on 18 December 2024 the Government stated that it *“is committed to resetting the relationship with local government, and as part of this, we intend to radically simplify and de-ringfence the funding paid out to the sector – consolidating grants into the settlement wherever possible. This will give local authorities greater certainty and greater freedom to deliver their own priorities, as well as our national priorities.”*

3.1.2 Outside of this fundamental reform, the Settlement for 2025-26 represents the seventh 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 Government’s SFA for the Authority has reduced in the period 2016-17 to 2024-25. This is even though RSG allocation was significantly increased in 2024-25 due to the inclusion of the Firefighters’ Pension Scheme grant, which was previously received separately. If you excluded the £2.7m received for this from the amounts below then, despite the ‘real’ term increases since 2020, the SFA for the Authority has reduced by approximately £3.15m over the period.

Table: Settlement funding assessment (as of December 2024)

	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
2025-26	11.438	7.529	18.967

- 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 2025-26 are shown in the following extract (table below) from the Ministry of Housing, Communities & Local Government published figures in the Provisional Local Government Finance Settlement for 2025-26.

Table: Government assessment of core spending power for the Authority

	2024-25 £m	2025-26 £m
Settlement funding assessment	18.712	18.967
Precepts (Council Tax)	49.803	53.100
Rural Services Delivery Grant	0.058	0
Funding Guarantee Grant	1.658	0
Services Grant	0.067	0
Compensation for under-indexing business rates multiplier	2.199	2.299
Core spending power	72.505	74.366

- 3.2.4 Looking at this table, our Core Spending Power shows an increase of £1.86m for 2025-26, 2.6%. 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 Crucially for 2025-26, the Services grant, the Rural Service grant and the Funding Guarantee grant have ceased completely. These contributed £1.79m to our funding position in 2024-25.
- 3.2.6 The one-off nature of these grants and the lack of certainty beyond the year in which they were being received has regularly been highlighted to Members as part of budget papers, and Officers have always been aware of the possibility that they could be removed as part of wider funding changes. But the complete removal of all three funding streams at the same time is a significant blow.

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 Service also maintains a risk register with strategic risks reported to Finance and Audit Committee on a quarterly basis and currently focused on:
- Securing financial sustainability
 - Creating a sustainable on-call duty system
 - Protecting against cyber threats and attacks
 - Sustaining operational training facilities
 - Enhancing workplace culture
- 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 and has a strong history of sound financial management and a proven track record of delivering savings and demonstrating value for money.
- 5.1.2 In our most recent inspection by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services we were graded as 'Good' for best use of resources and future affordability. Our Medium-Term Financial Plan and Financial Resilience was assessed by our internal auditors in Q1 of 2024-25 and a 'Substantial' opinion with no recommended actions was issued.

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. The £5 council tax flexibility opportunity is welcomed, particularly in light of the grant funding removed, but this only leaves the Authority in a cash neutral position. There is no improvement in the overall financial position over the medium term.
- 5.3.2 In February 2024 the Service outlined that it faced some difficult choices to achieve a sustainable budget and medium-term finance plan after 2024-25. Officers set a target of saving a further £2.5m annually by 2026.

- 5.3.3 The Community Safety Plan 2024-2028 and the comprehensive fire cover review both support the continued review of the disposition and productivity of operational resources. This takes into account the changing picture of risk and demand in the Service area and utilise opportunities to better match our resources to the risks we face.
- 5.3.4 The work to date, approved under the Chief Fire Officer scheme of delegation, which will be fully implemented during 2025-26 will generate an ongoing annual net revenue saving of £900k per annum.
- 5.3.5 Two additional factors have also emerged during 2024-25 which will have a significant ongoing impact on the financial position of the Authority.
- 5.3.6 As part of the new flexibilities for councils provided in the Levelling Up and Regeneration bill, which received Royal Assent in October 2023, local authorities were given the option to introduce a 100% council tax premium on second homes from April 2025. Whilst the decision is made by the local authority, this has a direct impact on this Authority as the principle impacts the full council tax bill that the resident receives.
- 5.3.7 Dorset Council and Bournemouth, Christchurch and Poole Council opted into this premium and the Authority will receive £814k of additional funding in 2025-26 due to this. This will continue into future years, but a level of caution has been built into future assumptions around this income due to its recent introduction.
- 5.3.8 Lastly, in the Autumn Budget 2024 the Chancellor announced amendments to employers National Insurance Contribution (NIC) arrangements. The secondary class 1 NIC increases from 13.8% to 15% from 1 April 2025 and the secondary threshold at which payments start will be reduced from £9,100 to £5,000.
- 5.3.9 Immediately after the announcement the Government made an initial commitment to fund this for public sector bodies. However, it is now expected that around half of the additional cost will be funded. The grant allocation is expected to be confirmed in February 2025.
- 5.3.10 The local impact will be dependent on the pay awards agreed for 2025-26. A 2% pay award creates £1m of additional costs for the Authority, so an ongoing budget pressure of at least £500k is expected.
- 5.3.11 The savings generated to date, plus the additional income from the council tax premium on second homes, less the new pressure created by the changes to employers NIC rates reduces the required savings target to around £1.4m based on current knowledge.

6. Budget 2025-26 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:

	2025-26	2026-27 onwards	financial impact of 1% variation
1. Change in government funding settlement	+1.70%	+2.0%	£190k
2. Change in council taxbase	+2.35%	+1.0%	£539k
3. Core Council tax referendum threshold	+5.75%	+2.99%	£536k
4. Change in Band D council tax	+5.75%	+2.99%	£536k
5. Fire Pensions Grant	£2.1m	£2.1m	£210k
6. Pay award - Uniformed	+2.0%	+2.0%	£426k
7. Pay award - Corporate	+2.0%	+2.0%	£184k
8. Non-pay inflation*	various	+2%	£182k
9.	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:

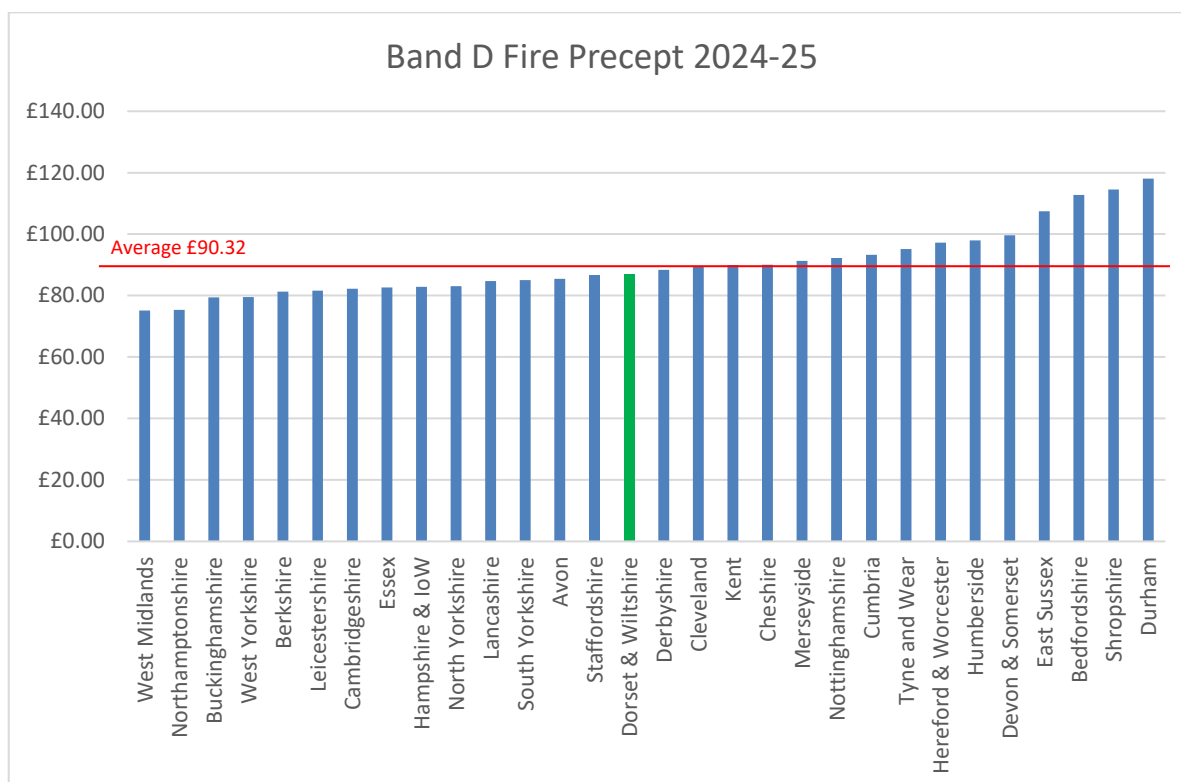
- **Government support** (grants from central Government and business rates retention from local authorities). This was detailed in Section 3 of this paper based on the provisional Local Government Finance settlement issued on 18 December 2024. The final settlement is expected in early February 2024.
- **Precepts** (council tax collected from local taxpayers).

6.2.2 Precepts

The Authority has a history of being a low funding, low spending authority. Currently, over 70% of our funding comes from local council tax. 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 2024-25 fire precept figure of £86.95 compares to a national average for all standalone FRAs of £90.32 (see graph below).

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



6.2.3 With the removal of the grants outlined earlier in this document, our reliance on precept has grown. Whilst local council tax flexibility is welcomed, this should not be a tool to enable other funding streams to be removed.

6.2.4 The Government's council tax referendum principles effectively limit the amount that precept can be increased, due to the need to hold a local referendum to increase further, which would be cost prohibitive. Outside of our £5 referendum principle, the 2025-26 provisional finance settlement consultation also proposed:

- 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 £14 for police authorities and police and crime commissioners.
- no referendum principles for mayoral combined authorities, or town and parish councils.

6.2.5 For planning purposes in this MTFP, we are assuming fire precept Band D council tax increases of 2.99% for 2026-27 and subsequent years. For the last three financial years we have been able to levy increases of £5 (6.30%) in 2023-24, 2.99% in 2024-25 and now £5 (5.75%) in 2025-26. Whilst 1.99% is the standard

core council tax referendum principle in legislation, 2.99% has been offered to all local authorities for a number of years now (before ASC precept) and we consider this to be a prudent assumption for the future based on current knowledge.

- 6.2.6 A 1% change in fire precept Band D or a 1% change in taxbase equates to approximately £536k per annum.
- 6.2.7 The increase in taxbase levels between 2024-25 and 2025-26 is significantly distorted due to the impact of the second homes concept outlined in Section 5. If you exclude the impact of this, the standard taxbase for 2025-26 has increased by 0.81%, compared to an increase of 0.84% for 2024-25.
- 6.2.8 In establishing the indicative budget for 2025-26, funding from precepts to be issued to billing Authorities is estimated, based on a fire precept of £91.95 (an increase of £5) and the taxbase increase of 2.35%, to be as follows:

Table: Estimated precepts – billing Authorities

Collecting Authority	Taxbase 2025-26	Precept 2025-26 £000
Bournemouth, Christchurch and Poole Council	151,574	13,937
Dorset Council	160,793	14,785
Swindon Borough Council	78,617	7,229
Wiltshire Council	195,454	17,952
TOTAL	586,438	53,923

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

Table: Estimated funding from precepts

	2024-25	2025-26	2026-27	2027-28	2028-29
	Actual	Estimated	Estimated	Estimated	Estimated
Band D increase	+2.99%	+5.75%	+2.99%	+2.99%	+2.99%
Taxbase change	+0.84%	+2.35%	+1.00%	+1.00%	+1.00%
Taxbase	572,960	586,438	592,213	598,047	603,939
Fire precept	£86.95	£91.95	£94.70	£97.53	£100.45
Precept	£49.819m	£53.923m	£56.058m	£58.279m	£60.589m

The table details the future taxbase growth as 1% per annum, but this has been applied to the standard taxbase element only. The taxbase impact of the 100% council tax premium on second homes has been frozen at 2025-26 levels throughout the period shown, to reflect initial uncertainty on the ongoing levels of this funding stream.

- 6.2.10 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. The surplus for 2025-26 is £441k. Whilst there is always a risk of a possible deficit, there have been a trend of surpluses, with figures of £340k (2022-23), £378k (2023-24) and £186k (2024-25).
- 6.2.11 In summary, the table below shows the total funding assumed over the medium term based on the finance principles and assumptions above:

Table: Estimated Total Funding

	2024-25	2025-26	2026-27	2027-28	2028-29
	Actual	Estimated	Estimated	Estimated	Estimated
	£m	£m	£m	£m	£m
Fire Precept (£m)	49.819	53.923	56.058	58.278	60.590
Council tax Collection Fund Surplus / Deficit (-) (£m)	0.186	0.441	0.250	0.250	0.250
Revenue Support Grant (RSG) (£m)	7.398	7.529	7.680	7.833	7.990
BRR and Top Up grant (£m)	10.679	11.074	11.239	11.407	11.578
Business rates Collection Fund Surplus / Deficit (-) (£m)	0.600	0.141	0.100	0.100	0.100
Other government grants	5.237	3.319	3.386	3.454	3.523
TOTAL	73.919	76.427	78.713	81.322	84.031

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 2024 was 4%, following on from the 5% agreed in 2023. The local government pay award for 2024-25 was £1,250 or 2.5%, whichever was higher, following on from £1,925 or 3.88% in 2023-24.
- 6.3.3 Our projections for 2025-26 and beyond are a 2% increase per year for all staff groups. This adds a further £1.2m to the budget requirement. Anything more than 2% is unaffordable in the context of our overall financial position, as evidenced in this document due to the financial settlement and additional pressures now faced. A 1% variation in the pay award is worth approximately £600k.
- 6.3.4 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 been included in our main Settlement Funding Assessment since 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 from April 2024 saw an increase in the contribution rate from 28.8% to 37.6%. The Home Office have funded the increased cost with a new fire pensions grant and £2.1m has been received in 2024-25. Although it is expected that this grant will continue in 2025-26, this is yet to be formally confirmed.
- 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, with a new rate effective from April 2026.

6.5 Other budget issues and risks

- 6.5.1 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. This funding peaked at £339k in 2020-21 and has slowly reduced since. £226k was provided in 2024-25 and our estimate for 2025-26 is £189k, reflective of the downward trend over time. These sums have historically supported the provision of additional staffing resources.
- 6.5.2 Despite the significant reduction in 2024 in the general levels of inflation in the economy, we have continued to see significant price pressures across all budget lines, revenue and capital. 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 have increased by an estimated £1m more by 2025-26 than was estimated in February 2022.

6.6 2025-26 budget requirement

- 6.6.1 Taking all of the changes into account, the net budget requirement for 2025-26 is £76.427m as summarised:

Table: Budget requirement 2025-26

	Budget 2025-26 £m
Revenue Budget	
- Employees	62.382
- Premises	4.739
- Transport	1.508
- Supplies & services	6.541
- Agency & contracted out	2.674
- Democratic representation	0.118
- Capital financing/leasing	5.706
- Income	-6.542
- Transfers to/from reserves	-0.699
Net budget requirement	76.427

6.7 Medium Term forecast

- 6.7.1 The table below shows updated projections of the Authority's budget requirement from 2024-25 to 2027-28 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 2024-25 to 2027-28

Revenue budget	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
- Employees	60.133	62.382	63.953	65.585
- Premises	4.590	4.739	4.834	4.931
- Transport	1.545	1.508	1.538	1.569
- Supplies & services	6.181	6.541	6.672	6.805
- Contract out services	3.047	2.674	2.712	2.750
- Democratic rep	0.116	0.118	0.120	0.123
- Capital financing	5.147	5.706	7.040	7.683
- Reserve transfers	-6.026	-6.542	-6.520	-6.498
- Income	-0.814	-0.699	-0.256	0.115
Service budget requirement	73.919	76.427	80.093	82.833

- 6.7.2 Looking beyond 2025-26, based on our funding assumptions and forecast spending plans we have indicative funding deficits of £1.38m rising to £1.76m between 2026-27 and 2028-29 respectively:

Table: Indicative funding gaps/deficits

	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m
Total funding	76.427	78.713	81.322	84.031
Estimated net service budget	76.427	80.093	82.833	85.795
Budget surplus (+) / deficit (-)	0.000	-1.380	-1.511	-1.764

- 6.7.3 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 2026-27, which would deliver £1.4m of additional funding:

Table: Indicative Funding Deficits, with £5 precept increase in 2026-27

	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m
Total funding	76.427	80.070	82.759	85.547
Estimated net service budget	76.427	80.093	82.833	85.795
Budget surplus(+)/deficit(-)	0.000	-0.023	-0.074	-0.248

- 6.7.4 Alternatively, a return to a core referendum principle of 1.99% past 2025-26 would significantly worsen the medium-term financial position. The table below illustrates this scenario:

Table: Indicative Funding Deficits, with 1.99% precept increase from 2026-27

	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m
Total funding	73.919	78.193	80.245	82.355
Estimated net service budget	73.919	80.093	82.833	85.795
Budget surplus(+)/deficit(-)	0.000	-1.900	-2.588	-3.440

- 6.7.5 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. Reserves strategy

7.1 Introduction and background

- 7.1.1 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.
- 7.1.2 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.
- 7.1.3 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.
- 7.1.4 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.

7.2 Strategic context

- 7.2.1 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.
- 7.2.2 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.
- 7.2.3 **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.

- 7.2.4 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.
- 7.2.5 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.
- 7.2.6 **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.
- 7.3 **Risk assessment to determine the adequacy of general balances**
- 7.3.1 As a well-governed 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.
- 7.3.2 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.
- 7.3.3 The Authority manages its General Balances in line with a risk assessment as detailed in Appendix A. 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.
- 7.3.4 The risk assessment for the coming financial year, 2025-26, 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 £3.212m. At the start of 2025-26 General Balances are expected to be at £3.157m and will increase to £3.212m during the year.

7.4 Annual review of earmarked reserves

- 7.4.1 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

- 7.4.2 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 24 £m	Forecast spend 24-25 £m	Forecast Balance 31 Mar 25 £m	Forecast spend 25-26 to 28-29 £m	Forecast Balance 31 Mar 29 £m
Budget and Funding	2.945	0.000	2.945	-0.363	2.582
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 to support cultural change.			Risk – This reserve mitigates the financial risk of higher initial investment costs.		
TOTAL	3.022	0.000	3.022	-0.440	2.582

Earmarked reserves - capital replacement and development

- 7.4.3 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 £9.875m available to support capital investment moving forwards, and in

particular provide funding for essential investment in operational training facilities and a new 999 mobilising system.

- 7.4.4 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 24	Forecast spend 24-25	Forecast Balance 31 Mar 25	Forecast spend 25-26 to 28-29	Forecast Balance 31 Mar 29
	£m	£m	£m	£m	£m
Capital Replacement	9.875	2.125	12.000	-12.000	0.000
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	9.875	2.125	12.000	-12.000	0.000

Earmarked reserves - specific projects

- 7.4.5 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.
- 7.4.6 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 24 £m	Forecast spend 24-25 £m	Forecast Balance 31 Mar 25 £m	Forecast spend 25-26 to 28-29 £m	Forecast Balance 31 Mar 29 £m
Service control	0.436	-0.271	0.165	-0.165	0.000
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.			Risk – This reserve mitigates the financial risk of any one-off new investment required by NFSP.		
Emergency Services Mobile Communications Programme (ESMCP)	0.493	0.000	0.493	-0.493	0.000
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. Usage is reliant on progression of the project.			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.		
TOTAL	0.929	-0.271	0.658	-0.658	0.000

Earmarked reserves – other reserves

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

	Balance 1 Apr 24 £m	Forecast spend 24-25 £m	Forecast Balance 31 Mar 25 £m	Forecast spend 25-26 to 28-29 £m	Forecast Balance 31 Mar 29 £m
Ill-Health Retirement	0.145	0.000	0.145	0.000	0.145
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.			Risk – The reserve mitigates the financial risks of any cost shortfalls over the £50k base budget amount.		
Insurance	1.336	0.100	1.436	0.000	1.436
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 employer's liability.			Risk – The reserve mitigates the financial risk of substantial claims that the Authority has to fund before		

			external insurers pick up the cost of claims.		
Leasing Rental	0.156	-0.085	0.071	-0.071	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	1.637	0.015	1.652	-0.071	1.581

Unused grants reserves

7.4.9 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.

7.4.10 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 24 £m	Forecast spend 24-25 £m	Forecast Balance 31 Mar 25 £m	Forecast spend 25-26 to 28-29 £m	Forecast Balance 31 Mar 29 £m
Prevention	0.277	-0.057	0.220	-0.220	0.000
National resilience	0.194	-0.050	0.144	-0.144	0.000
Fire protection	0.020	-0.020	0.000	0.000	0.000
Transformation grant	0.235	-0.082	0.153	-0.153	0.000
Emergency Services Mobile Communication Project (ESMCP)	0.750	-0.006	0.744	-0.744	0.000
Covid-19	0.211	-0.211	0.000	0.000	0.000
Other small grants	0.328	-0.117	0.211	-0.211	0.000
TOTAL	2.015	-0.543	1.472	-1.472	0.000

Summary - Projected reserve balances

Table: Summary - Projected reserve balances

	Balance 1 Apr 24 £m	Forecast spend 24-25 £m	Forecast Balance 31 Mar 25 £m	Forecast spend 25-26 to 28-29 £m	Forecast Balance 31 Mar 29 £m
General reserves	3.102	0.055	3.157	0.235	3.392
Earmarked reserves	15.796	1.869	17.665	-13.169	4.496
Unused grants reserves	2.015	-0.543	1.472	-1.472	0.000
TOTAL	20.913	1.381	22.294	-14.406	7.888

Appendix 1 – General reserves risk assessment

Budget	Budget Provision 2025-26 £m	Risk	Risk >8 = High 5-8 = Med <5 = Low	2025-26 £m	Commentary
Wholetime and On-call Pension Contributions	9.436	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 in April 2024 our employer contributions now total more than £9.4m per year. The April 2024 increase has been funded by a Government grant totalling £2.1m, but the ongoing provision of this funding is not confirmed. 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	38.736	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. A nominal sum is assessed for sustained industrial action and business continuity measures.
Pay	61.040	Under-estimate of pay awards by 1.0%	High	0.610	The revenue budget allows for pay awards of 2% per year on the basis of affordability. Given the current economic climate it would be prudent to recognise this as a high financial risk. £610k would cover the full year effect of a 1% variation across all staffing groups.

Budget	Budget Provision 2025-26 £m	Risk	Risk >8 = High 5-8 = Med <5 = Low	2025-26 £m	Commentary
On-call Pay	9.867	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	0.493	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 £9.87m, so £493k represents around a 5% variation.
Increased employers National Insurance costs	0.500	Impact of the increase in employers National Insurance costs introduced from April 2025	Medium	0.050	The Budget on October 2024 increase the National Insurance burden for employers. This is expected to create a £500k additional budget pressure as the Government will only part fund the impact. The exact level of funding is still to be confirmed and a 10% reduction in the estimated contribution would represent a cost of £50k.
External Funding - Settlement Funding Assessment	-18.967	Future reductions in Government funding are worse than planned / forecast	Medium	0.379	The Medium Term Financial Plan (MTFP) assumes that our Government funding will increase in line with inflation in future. There is a potential for future reductions in base funding given the current economic climate and spending pledges made by Government. A 2% variation would equate to roughly £379k.
External Funding - Precepts	-53.923	Collection rates for council tax and business rates are worse than forecast	Medium	0.270	Financial risk around income from council tax and business rates from billing authorities, which were already becoming more volatile, 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 £270k in income.

Budget	Budget Provision 2025-26 £m	Risk	Risk >8 = High 5-8 = Med <5 = Low	2025-26 £m	Commentary
On-call Pay	9.867	Increased take up of pension entitlement by On-call Duty System personnel	Medium	0.085	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	0.100	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	0.153	In the event of further incidents occurring in Dorset or Wiltshire that would qualify to enable a Bellwin Scheme claim, the Authority would be required to meet the initial costs up to the threshold, a contribution equivalent to 0.2% of its revenue budget, equating to approximately £153k.
Non-pay	15.880	Failure to adequately provide for non-pay inflation	Low	0.312	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 2025-26 £m	Risk	Risk >8 = High 5-8 = Med <5 = Low	2025-26 £m	Commentary
Total Costs	76.427	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)				3.212	
Budget 25-26 (£m)				76.427	
General Balances Risk Assessment/Budget as a percentage (%)				4.2%	