



**DORSET & WILTSHIRE  
FIRE AND RESCUE  
AUTHORITY**

Item 25/06

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| MEETING               | Dorset & Wiltshire Fire and Rescue Authority   |
| DATE OF MEETING       | 6 February 2025  |
| SUBJECT OF THE REPORT | Revenue Budget and Precept Implications 2025-26  |
| STATUS OF REPORT      | For open publication   |
| PURPOSE OF REPORT     | For consideration and approval   |
| EXECUTIVE SUMMARY     | <p>This report sets out the revenue budget requirements for 2025-26.</p> <p>The overall level of central funding we expect for 2025-26, our Settlement Funding Assessment from Government, is £18.967m. This is based on the Provisional Local Government Finance Settlement. Overall business rates funding is expected to increase but we do not have full details yet. Prudent estimates from previous years have been used to support this paper. The final amounts are expected to be confirmed in early February when the Final Settlement is published, and the local billing authorities have advised us of actual business rates payments.</p> <p>Grant allocations, which totalled £1.79m for 2024-25, have now ceased completely for 2025-26.</p> <p>The taxbase for the Authority for 2025-26 shows an increase of 2.35%, boosted significantly by the introduction of the 100% council tax premiums on second homes in the south of the Service. Excluding the second homes element, the standard taxbase increased by 0.81% (0.84% in 2024-25).</p> <p>There is a net surplus in the council tax collection fund which provides some additional one-off funding.</p> |

|                             |   |
|-----------------------------|---|
|                             | <p>A £5 precept flexibility has been offered to all Fire and Rescue Authorities in 2025-26, meaning that the Band D Fire Precept for this Authority can be increased to a maximum of £91.95 (5.75%).</p> <p>The Authority is recommended to approve this increase. On that basis overall funding will be £76.427m.</p>  |
| RISK ASSESSMENT             | <p>The Authority, through its Medium-Term Finance Plan, can achieve a balanced budget position for 2025-26, within the context of the Governments' fiscal policy.</p> <p>Despite a strong track record of finding savings and demonstrating high levels of value for money, the future funding remains a concern. The 2025-26 Finance Settlement is the seventh consecutive one-year settlement. Continued uncertainty surrounding the wider economy and the continuing impact of pay and price inflation are also significant concerns.</p>  |
| COMMUNITY IMPACT ASSESSMENT | None for the purposes of this report.   |
| BUDGET IMPLICATIONS         | These are contained within the body of the report.  |
| RECOMMENDATIONS             | <p>It is recommended that the Authority:</p> <ol style="list-style-type: none"> <li>1. Approve the revenue budget of £76.427m for 2025-26.</li> <li>2. Approve the financial assumptions shown in Section 4.2 and the resulting Medium-Term Finance Plan 2025-26 to 2028-29.</li> <li>3. Approve the basic amount of Band D Fire Precept for the Dorset &amp; Wiltshire Fire and Rescue Authority at £91.95 for 2025-26.</li> <li>4. Authorise the Treasurer to issue precept notices on the Bournemouth, Christchurch and Poole Council, Dorset Council, Swindon Borough Council and Wiltshire Council.</li> </ol> |
| BACKGROUND PAPERS           | Ministry of Housing, Communities and Local Government. 18 December 2024:  |

|                               |   |
|-------------------------------|---|
|                               | <a href="https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2025-to-2026">https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2025-to-2026</a> |
| APPENDICES                    | Appendix A - Summary options, Fire Precept Band D<br>Appendix B - Precept requirements 2025-26<br>Appendix C - Medium Term Finance Plan 2025-26 to 2028-29  |
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## 1. Introduction

- 1.1 This report provides the final position for the revenue and capital budget requirements for 2025-26. The budget and Band D Fire Precept recommendations are based on the financial principles previously approved by the Authority.
- 1.2 There are several issues and financial implications presented to the Authority in this report, and these are based on best available information and professional forecasts. At the time of writing the report, provisional sums in respect of business rates income have been used, whilst the final confirmation of amounts from the billing authorities is awaited. Billing authorities are required to notify us by the 31 January 2025.
- 1.3 Appendix C to this report provides a detailed analysis of the Medium-Term Financial Plan, with the key elements are detailed below.

## 2. Funding issues

### 2.1 Local Government Finance Settlement 2025-26

- 2.1.1 The Provisional Local Government Finance Settlement for 2025-26, providing details of our Settlement Funding Assessment (SFA), was published on 18 December 2024, with a 4-week consultation period closing on 15 January 2025. The Final Settlement is expected to be announced in early February 2025 and Members will be kept informed of any significant changes from the Provisional Settlement.
- 2.1.2 The SFA consists of the Revenue Support Grant (RSG) allocation and estimates of the local share of business rates (the Baseline Funding Level (BFL)). The provisional figure for this Authority's SFA for 2025-26 is £18.967m. The breakdown of the SFA is shown below.

| <b>Table 1 – Settlement Funding Assessment</b> | <b>2025-26<br/>£m</b> | <b>2024-25<br/>£m</b> | <b>Difference<br/>£m</b> |
|--|-----------------------|-----------------------|--------------------------|
| Total SFA                                      | 18.967                | 18.712                | +0.257                   |
| <i>made up of:</i>                             |                       |                       |                          |
| - Revenue Support Grant (RSG)                  | 7.529                 | 7.398                 | +0.131                   |
| - Baseline Funding Level (BFL)                 | 11.438                | 11.314                | +0.126                   |

- 2.1.3 RSG allocations have been increased in line with the September 2024 CPI figure of 1.7%.
- 2.1.4 The Baseline Funding Level (BFL) is split between an assumed level of business rates income and a top up grant payment from Government. The actual amount of

business rates income that is received is always subject to uncertainty and is only confirmed in late January by the local billing authorities. As in previous years, any net difference will be adjusted through reserves and balances.

- 2.1.5 The Government also publish a Core Spending Power calculation for each Authority, consisting of the SFA, estimated Council Tax precept income, grants and a further business rates income adjustment.

|   | <b>2024-25</b><br><b>£m</b> | <b>2025-26</b><br><b>£m</b> |
|---|-----------------------------|-----------------------------|
| 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                       |
| <b>Core spending power</b>                                | <b>72.505</b>               | <b>74.366</b>               |

- 2.1.6 Crucially for 2025-26, the Services grant, the Rural Service grant and the Funding Guarantee grant have ceased completely. These had previously contributed £1.79m to our funding position in 2024-25. The complete removal of all three funding streams at the same time is a significant blow.

## 2.2 Local funding

- 2.2.1 The Authority has a history of being a low funded, low spending Authority. The low level of central funding inevitably places pressure on levels of fire precept; currently over 70% of our funding comes from local council tax. Our 2024-25 precept of £86.95 is still below the national average of £90.32 for all standalone fire and rescue authorities.
- 2.2.2 The provisional Local Government Finance Settlement has set a £5 referendum principle for fire and rescue authorities for 2025-26. This enables the Authority to increase the Band D precept from £86.95 to £91.95, an increase of 5.75%. This is welcomed, particularly in light of a significant amount of the grant funding removed, but this merely leaves the Authority in a cash neutral position. There is no significant improvement in the overall financial position over the medium term.
- 2.2.3 Total fire precept funding is also dependent on increases in the taxbase, i.e. the number of Band D equivalent households in the Authority area. On average across

the whole of the Authority area our taxbase for 2025-26 has increased by 2.35%. This is significantly higher than the 0.84% increase in 2024-25, but this is due to the introduction of the 100% council tax premium on second homes.

- 2.2.4 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.
- 2.2.5 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.

### 2.3 Funding summary

- 2.3.1 Based on the financial position of the Authority, Members are asked to approve increasing the Band D Fire Precept by £5 to £91.95 for 2025-26. On that basis, the projected level of funding available is £76.427m as shown in table 2 below.

| Table 2 - Total Funding 2025-26                         |                 |
|---|-----------------|
| Taxbase   | 586,438         |
| Band D Fire Precept (£)                                 | £91.95          |
| Fire Precept (£m)                                       | £53.923m        |
| Council tax Collection Fund Surplus/Deficit (-) (£m)    | £0.441m         |
| Revenue Support Grant (RSG) (£m)                        | £7.529m         |
| Business rates retention and Top Up grant (£m)          | £11.074m        |
| Business rates Collection Fund Surplus/Deficit (-) (£m) | £0.141m         |
| Other government grants                                 | £3.319m         |
| <b>Total Funding (£m)</b>                               | <b>£76.427m</b> |

### 3. Budget requirement 2025-26

- 3.1 In determining the 2025-26 budget requirement there are a number of influencing factors, outside of the issues around precepts and Government funding. The main factors, concerns and risks are considered below.
- 3.2 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.

- 3.3 Immediately after the announcement the Government made an initial commitment to fund this for public sector bodies. However, it is now expected that only around half of the additional cost will be funded. The grant allocation is expected to be confirmed in February 2025. The local impact of this 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.
- 3.4 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. 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 report due to the financial settlement and additional pressures now faced.
- 3.5 As Members are aware, our employer pension costs have increased significantly in recent years. 2024-25 saw the introduction of a new fire pensions grant and the Service has received £2.1m this year. Although it is expected that this grant will continue in 2025-26, this is yet to be formally confirmed.
- 3.6 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.
- 3.7 Despite the significant reduction in 2024 in the general levels of inflation in the economy, we have continued to see significant and underlying price pressures across all budget lines, revenue and capital. Base non-pay budgets have increased by an estimated £1m more by 2025-26 than was estimated in February 2022.
- 3.8 **Overall budget requirement**
- 3.8.1 Overall, the net budget requirement for 2025-26 is therefore £76.427m as summarised below:

| Table 3 – Revenue Budget requirement | Service budget<br>2025-26<br>£m |
|--------------------------------------|---------------------------------|
| - 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        |
| <b>Net budget requirement</b> | <b>76.427</b> |

### 3.9 Resourcing and Savings Programme

- 3.9.1 Overall costs have increased significantly. The £5 council tax flexibility opportunity is welcomed, particularly in light of the grant funding removed, but this merely leaves the Authority in a cash neutral position. There is no improvement in the overall financial position over the medium term.
- 3.9.2 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.
- 3.9.3 Following the approval of our Community Safety Plan 2024-2028 and the completion of a comprehensive fire cover review, the Service continues to evaluate the disposition and productivity of its operational resources taking account of the changing picture of risk and demand in the Service area and utilise opportunities to better match our resources to the risks we face.
- 3.9.4 The work to date, that was approved under the Chief Fire Officer scheme of delegation, will generate an ongoing annual net revenue saving of £900k per annum in 2025/26.
- 3.9.5 A Members working group has also commenced looking at further station reviews. 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 National Insurance Contribution rates reduces the required savings target from £2.5m to around £1.4m based on current knowledge and assumptions.

## 4. Medium Term Finance Plan (MTFP)

- 4.1 The Medium-Term Finance Plan 2025-26 to 2028-29 shown at Appendix C is also recommended for approval. The MTFP supports the delivery of the Community Safety Plan, which sets out the key challenges and risks facing us, along with how we intend to meet and reduce them. This is further supported by our bi-annual Strategic Assessment of Risk. The MTFP is also based on a series of financial assumptions, information from our constituent authorities and Service spending proposals.



4.2 The financial assumptions currently adopted in the plan are as follows:

| Table 4 |   | 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

4.3 Based on our budget requirement and these assumptions the indicative net budget position over the medium term is as follows:

| Table 5                               | 2025-26<br>£m | 2026-27<br>£m | 2027-28<br>£m | 2028-29<br>£m |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Total funding                         | 76.427        | 78.713        | 81.322        | 84.031        |
| Estimated net service budget          | 76.427        | 80.093        | 82.833        | 85.795        |
| <b>Budget surplus (+)/deficit (-)</b> | <b>0.000</b>  | <b>-1.380</b> | <b>-1.511</b> | <b>-1.764</b> |

## 5. Reserves and balances

5.1 The Service will need to use its reserves and balances in order to help support a sustainable long-term financial position. Full details of our Reserves and Balances strategy are included in the MTFP (Appendix C).

### 5.2 General balances and reserves

5.2.1 As Members are aware, general balances are set aside as a safety net to cover unplanned and unbudgeted costs. 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.

General Balances at the start of 2024-25 amounted to £3.102m, increasing to £3.157m by the end of the financial year. We continue to review the general balances risk assessment on an annual basis as part of the budget setting cycle and the current assessment shows a potential net financial impact of around £3.212m. The reserve balance will increase to this level during 2025-26 and this is sufficient to mitigate the assessed risk.

### 5.3 Other earmarked reserves

- 5.3.1 The Authority has a number of other reserves that are maintained to help to deal with specific risks that cannot be managed within the annual revenue budget. This includes some of those items highlighted in our Strategic Assessment of Risk, such as the Emergency Services Mobile Communications Programme (ESMCP) and Network Fire Services Partnership (NFSP) projects including the renewal of our 999 mobilising system.
- 5.3.2 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 £9.88m available to support capital investment moving forwards, and in particular provide funding for essential investment in training facilities and a new mobilising system.
- 5.3.3 This is a sensible use of reserves, helping to reduce the strain of capital financing costs on future revenue budgets.

### 5.4 Reserves summary

- 5.4.1 The table below summaries the current forecast for reserves. Full details of our Reserves and Balances strategy are included in the MTFP (Appendix C).

*Table 8: Summary - Projected reserve balances*

| <b>Table 8</b>                | <b>Balance<br/>1 Apr 24</b> | <b>Forecast<br/>spend<br/>24-25</b> | <b>Forecast<br/>Balance<br/>31 Mar<br/>25</b> | <b>Forecast<br/>spend<br/>25-26 to<br/>28-29</b> | <b>Forecast<br/>Balance<br/>31 Mar<br/>29</b> |
|-------------------------------|-----------------------------|-------------------------------------|---|--|---|
|                               | £m                          | £m                                  | £m  | £m   | £m  |
| <b>General reserves</b>       | 3.102                       | 0.055                               | 3.157   | 0.235  | 3.392   |
| <b>Earmarked reserves</b>     | 15.796                      | 1.869                               | 17.665  | -13.169  | 4.496   |
| <b>Unused grants reserves</b> | 2.015                       | -0.543                              | 1.472   | -1.472   | 0.000   |
| <b>TOTAL</b>                  | 20.913                      | 1.381                               | 22.294  | -14.406  | 7.888   |

## **6. Statutory declarations**

### **6.1 Robustness of the estimates**

6.1.1 Under Section 25 of the Local Government Act 2003, the Treasurer, as designated under Section 151 of the Local Government Act 1972 and Section 112 of the Local Government Finance Act 1988, is required to report to the Authority when setting its Band D Fire Precept on two issues:

- the robustness of the estimates included in the budget: and,
- the adequacy of the financial reserves in the budget.

6.1.2 There are also a range of other safeguards aimed at ensuring local authorities do not over commit themselves financially. These include:

- The Chief Financial Officer's powers under Section 114 of the Local Government Act 1988, which requires a report to the Authority if there is or is likely to be unlawful expenditure or an unbalanced budget
- The Local Government Finance Act 1992 which requires a local authority to calculate its budget requirement for each financial year, including the revenue costs which flow from capital financing decisions. The Act also requires an Authority to budget to meet its expenditure after taking into account other sources of income. This is known as the 'balanced budget requirement'; and,
- The Prudential Code, introduced under the Local Government Act 2003, which applies to capital financing and treasury management decisions.

6.1.3 Whilst budgets are based on realistic assumptions, some budgets are subject to a degree of estimating error as actual expenditure can be affected by factors outside of the Authority's control. The estimates have been prepared on an incremental basis, based on existing commitments, adjusted for inflation, increments and other unavoidable cost-drivers, and taking into account variations in service provision.

6.1.4 The revenue and capital budgets can be regarded as robust. Although there are risks in the 2025-26 budget, as with any budget, those risks are manageable and have been taken into account in advising on the level of general reserves at this time.

## **7. Summary & key messages**

7.1 The Service's revenue budget requirement for 2025-26 is £76.427m.

7.2 In order to meet this budget requirement and taking into account the level of funding provided in the provisional Local Government Finance Settlement, Members are asked to approve a Band D Fire Precept of £91.95 for 2025-26. This is the maximum amount possible without undertaking a local referendum.

- 7.3 This increase in fire precept is recommended as the most prudent and sustainable option, in the face of ongoing economic issues and financial uncertainty.