



**DORSET & WILTSHIRE  
FIRE AND RESCUE  
AUTHORITY**

# **Medium-Term Finance Plan 2026-27 to 2028-29**

February 2026

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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 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 recent multi-year finance settlement from central Government provides the Authority with a greater degree of intelligence about its medium-term financial position.
- 1.3 In developing our financial plans we have ensured that they are reflective of the investment needs required to mitigate and manage our strategic risks. We have also conducted analysis on some key areas such as the impact of varying levels of Government grants and pay awards.
- 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

- There are a significant number of strategic financial challenges facing the Authority.
- Financial sustainability is a major concern with an in-year savings requirement of £1.2m in 2026-27 and forecast budget deficits of £1.5m in 2027-28 and £1.7m in 2028-29.
- There is a risk that these figures may increase if there are amendments to the Local Government Finance Settlement
- Other external factors such as inflation and pay negotiations, which are outside of the Authority's direct control, may also impact the position
- Reserves will largely be exhausted over the lifetime of this plan

### **3. Financial context**

#### **3.1 Historical financial position**

- 3.1.1 Since combination in 2016 the financial position of the Service, specifically the challenges faced, has been well documented in the budget reports presented to this Authority.
- 3.1.2 One-year settlements from central Government, delivered for the seventh continual year for the 2025-26 financial year, provided continued significant financial uncertainty for all local authorities.
- 3.1.3 The core spending power (CSP) assessment outlined by central Government in the Local Government Finance Settlement details the expected income the Authority will receive each year. The Settlement Funding Assessment (SFA) is a key element of this and is formed of two parts. Firstly, the baseline funding level (BFL), which is their assessment of how much funding the Authority will receive from local business rate retention. Secondly, it also sets the Revenue Support Grant (RSG) allocation that the Service will receive directly from central Government.
- 3.1.4 The most significant funding stream for the Authority, which is also estimated in the CSP assessment, is Council tax precept income. Whilst the setting of the precept each financial year is a local decision, the Government set a referendum threshold which effectively controls how much the Authority can increase Council tax by.
- 3.1.5 The historical key financial information from a budget setting perspective that the Authority has been subject to since combination is summarised within Appendix 1 (pages 20-23). This is provided to offer context to the ongoing financial challenges the Authority faces, and outlines:
- Council tax precept level (2025-26) of all standalone Fire and Rescue Authorities (FRA's)
  - Settlement Funding Assessment growth of all standalone FRA's
  - The historical settlement received by this Authority for each respective year and the other relevant factors to the budget position – CPI inflation at the point of budget setting, national pay awards agreed, Band D Council tax set, precept flexibility (the referendum threshold) offered by central Government and the reliance on Council tax per year.

#### **3.2 2026-27 Multi-Year Settlement**

- 3.2.1 The Provisional Local Government Finance Settlement for 2026-27, was published on 17 December 2025, with a 4-week consultation period closing on 14 January 2026. The Final Settlement is expected to be announced in early February 2026, and Members will be kept informed of any significant changes from the Provisional Settlement.

- 3.2.2 The settlement for 2026-27 is the first multi-year settlement in a decade. Provisional allocations have been provided for a three-year period. Final funding allocations for 2027-28 and 2028-29 will be consulted on and confirmed in their respective years. The Government plan to complete another Spending Review before the end of this multi-year settlement, which may impact allocations for 2028-29 and which will determine arrangements for 2029-30 and beyond.
- 3.2.3 Alongside the Government’s commitment to deliver a multi-year settlement, several other amendments were made to the funding process outlined in the Local Government Finance Policy Statement released in November 2025. This included a desire to simplify income streams delivered via grants and a reset of the business rates retention system from 1 April 2026.
- 3.2.4 An adjusted baseline CSP figure for 2025-26 of £76.374m for the Service was outlined in the settlement, providing a starting point for the multi-year settlement. This has been successfully reconciled back to the confirmed income allocations for the year from Council tax, business rates, the Revenue Support Grant and the National Insurance Grant. At a time of change this has provided clarity and assurance on what funding streams form the assessed CSP.
- 3.2.5 The breakdown of the provisional assessed CSP for the multi-year settlement period is shown below:

<b>Table 1 – Assessed CSP</b>	<b>2026-27 £m</b>	<b>2027-28 £m</b>	<b>2028-29 £m</b>
Council Tax Requirement (CTR)	57.746	61.677	65.719
<i>Fair Funding Assessment:</i>			
- Revenue Support Grant (RSG)	12.758	11.553	10.268
- Baseline Funding Level (BFL)	8.974	9.180	9.365
<b>Core Spending Power (CSP)</b>	<b>79.478</b>	<b>82.410</b>	<b>85.352</b>

- 3.2.6 The initial analysis of the settlement provides a relatively positive position – an increase of 4.06% for 2026-27 and an increase of 11.76% over the three-year period.
- 3.2.7 However, only the RSG allocation is formally set by central Government. The BFL reflects an assumed level of business rates income that is collected locally. 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. Similarly, the level of Council tax income collected via local precepting arrangements is also outside of the direct control of the Government.
- 3.2.8 The settlement did confirm the option for ongoing precept flexibility of £5 per year over the multi-year period. This will enable the Authority to increase the Fire Precept to £96.95 for 2026-27, and the income figures above assume that £5 increases are approved per year and the tax base (the number of Band D equivalent households in the Authority area) grows by 1.57% per year.

3.2.9 Crucially, the benefit this increase brings is once again offset by reductions to the RSG allocation over the multi-year period. The settlement outlines how this will decrease by £1.2m per year, and by 19.5% in total over the three-year period. A similar approach from central Government was experienced in the 2025-26 budget setting process where £1.79m of stand-alone grants ceased completely.

## **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

## **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 The Authority is required to produce an annual Productivity and Efficiency plan. This is submitted to the Ministry of Housing, Communities and Local Government (MHCLG) and is published on our website.

5.1.3 Since combination ten years ago, annual savings in excess of £15m have been removed from the revenue budget. Whilst some of these were delivered immediately after combination, significant progress has been achieved over the last three financial years with savings of £6.1m identified.

5.1.4 Over £2.2m of these efficiencies has been reinvested back into the Service in the form of additional whole-time operational staff.

5.1.5 In our most recent inspection by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services we were graded as 'Good' for 'making best use of resources' and 'making the FRS affordable now and in the future'.

5.1.6 Our Medium-Term Financial Plan and Financial Resilience was last assessed by our internal auditors in Q1 of 2024-25 and a 'Substantial' opinion with no recommended actions was issued. The approach taken for the 2026-27 budget setting process is consistent with the one that was subject to the audit.

## 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 several 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

## **6. Budget 2026-27 and future years' forecasting**

### **6.1 Actual funding position**

6.1.1 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 the two main areas that form the assessed CSP:

- **Fair Funding Assessment** - This was detailed in Section 3 of this paper based on the provisional Local Government Finance settlement issued on 17 December 2025. The final settlement is expected in early February 2026.
- **Council Tax Requirement** (precept income collected from local taxpayers).

### **6.1.2 Fair Funding Assessment**

6.1.3 The first element of the fair funding assessment is the Revenue Support Grant allocation. The Government directly control this funding allocation, and the provisional settlement confirms that it will reduce by £1.2m per year over the three-year settlement period, and by 19.5% in total over the three-year period.

6.1.4 The second element is the baseline funding level, which is the level of business rate income collected locally. The BFL figures included in the settlement for 2026-27 did accurately forecast the level of business rate income that will be retained locally, with the actual amount being only £14k lower. The forecast numbers have therefore been left unchanged for 2027-28 and 2028-29 and reflect what was originally included in the settlement. Growth of 2.47% (27-28) and 2.02% (28-29) will be required in local business rate income to achieve this, and this position will be monitored closely over the period in question. It does not seem unreasonable based on current knowledge.

### **6.1.5 Council Tax Requirement**

6.1.6 Section 3 of this report outlined how Council tax income for the Authority is determined locally. Precept flexibility of £5 has been granted for each year of the three-year settlement and the Government forecast is that this will be approved by this Authority and the underlying tax base across the area will grow by 1.57% per year.

6.1.7 However, data subsequently received from the billing authorities across the area has now confirmed actual Council tax base growth in 2026-27 is 0.94%. The table below shows forecast precept funding, based on this tax base growth and a fire precept band D amount of £96.95 (the maximum option without triggering the need for a referendum):

<b>Collecting Authority</b>	<b>Taxbase 2026-27</b>	<b>Precept 2026-27 £000</b>
Bournemouth, Christchurch and Poole Council	152,482	14,783
Dorset Council	163,765	15,877
Swindon Borough Council	79,179	7,677
Wiltshire Council	196,516	19,052
<b>TOTAL</b>	<b>591,943</b>	<b>57,389</b>

6.1.8 With the removal of the RSG 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.

6.1.9 Whilst the Government have estimated that the tax base will grow by 1.57% per year over the three-year period, the historical growth experienced locally does not suggest this is likely. The standard tax base (excluding the impact of second homes) grew by 0.81% in 2025-26 and 0.84% in 2024-25.

6.1.10 Future funding projections over the medium-term need to reflect historical trends and growth of 0.90% will be used for budget projections in 2027-28 and 2028-29. These estimates will also assume that this Authority takes the option to increase the Band D precept each year by the maximum amount of £5.

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

	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>
	<b>Actual</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>
Band D increase	£5	£5	£5	£5
Taxbase change	+2.35%	+0.94%	+0.90%	+0.90%
Taxbase	586,438	591,943	597,270	602,645
Fire precept	£91.95	£96.95	£101.95	£106.95
Precept	£53.923m	£57.389m	£60.892m	£64.453m

#### 6.1.12 **Collection Fund**

6.1.13 Actual income the Authority receives from Council tax and business rates will always vary in-year from the estimates that are used for the purposes of budget setting. These are accounted for via the collection fund and one-off surplus, or deficits, are calculated and reported to us by the billing authorities across the area.

6.1.14 The council tax collection fund surplus for 2026-27 is £216k. The business rates collection fund surplus for 2026-27 is £181k, generating a total surplus of £397k. Whilst there is always a risk of a possible deficit, there has been a trend of

surpluses in recent years, with total figures of £525k (2023-24), £786k (2024-25) and £602k (2025-26). A prudent forecast of £420k per year has been built into the budget projections for 2027-28 and 2028-29.

6.1.15 In summary, the table below shows the total funding assumed over the medium term based on the finance position outlined above:

Total funding projection over three-year period	2026-27 £m	2027-28 £m	2028-29 £m
Taxbase	591,943	597,270	602,645
Band D Fire Precept (£)	£96.95	£101.95	£106.95
Fire Precept (£m)	£57.389m	£60.892m	£64.453m
Council tax Collection Fund Surplus/Deficit (-) (£m)	£0.216m	£0.250m	£0.250m
Revenue Support Grant (RSG) (£m)	£12.758m	£11.553m	£10.268m
Business rates retention (£m)	£8.959m	£9.180m	£9.365m
Business rates Collection Fund Surplus/Deficit (-) (£m)	£0.181m	£0.170m	£0.170m
<b>Total Funding (£m)</b>	<b>£79.503m</b>	<b>£82.045m</b>	<b>£84.506m</b>

## 6.2 Finance assumptions and principles

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

	2026-27	2027-28	2028-29	financial impact of 1% variation
1. Growth in government funding settlement	+3.58%	+3.18%	+3.02%	£791k
2. Change in council taxbase	+0.94%	+0.90%	+0.90%	£604k
3. Core Council tax referendum threshold	£5	£5	£5	£581k
4. Change in Band D council tax	£5	£5	£5	£581k
5. Pay award - Uniformed	+3.58%	+3.18%	+3.02%	£426k
6. Pay award - Corporate	+3.58%	+3.18%	+3.02%	£184k
7. Grants outside of the CSP	+0.00%	+0.00%	+0.00%	£41k
8. General Reserves	Maintain balance in line with the risk assessment in Appendix 1 of this document			

## 6.4 Pay costs

- 6.4.1 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.
- 6.4.2 Based on previously agreed financial principles we ordinarily assumed year-on-year pay awards of 2% for all staff groups. This aligned to the Government's target for inflation and the concept that pay awards should reflect the wider inflationary pressures that employees face daily.
- 6.4.3 However, actual inflation rates have been significantly higher in recent years and remain 1.4% above the Government target. Pay awards have also therefore been far higher – the historical awards are shown on page 23 in appendix 1 of this document.
- 6.4.4 In this year's budget setting process, the Service has aligned the pay awards built into the budget with the actual growth in CSP funding that will be experienced locally. Without additional funding allocations from the Government, the Service simply cannot afford pay awards above the level of income growth it is receiving locally and the message from this Authority to those involved in pay negotiations needs to be clear.
- 6.4.5 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.

## 6.5 Pensions

- 6.5.1 As Members are already aware, our employer pension costs have increased significantly in the recent years, on both the Firefighters' Pension Scheme (FPS) and the Local Government Pension Scheme (LGPS).
- 6.5.2 The 2016 valuation of the FPS, which set the employer contribution rate from April 2019, significantly increased costs and separate grant funding (£2.7m) was provided by central Government, which funded 90% of the additional cost. This grant was subsequently added to our RSG allocation in 2024-25. Section 6.1.15 of this report outlines how this grant will now be reduced over the medium-term.
- 6.5.3 The 2020 scheme valuation saw a further increase in employer contribution rates (from 28.8% to 37.6%) associated with the McCloud remedy and other FPS scheme valuation changes. A further grant was then provided for this in 2024-25 by central Government totalling £2.1m, but this was reduced to £1.9m in 2025-26. This grant currently remains outside of the CSP assessment although the Government have suggested it will be incorporated in future. The assumption is that the grant income in 2026-27 will remain at same level as 2025-26.

6.5.4 The 2019 triennial Local Government Pension Scheme (LGPS) valuation increased the employer contribution rate to 21.5% and that remained the same in the 2022 valuation. The 2025 valuation process has recently completed, and the provisional rate is 19.5% in 2026-27 reducing to 18.4% in the following years. The rate will be formally confirmed in March 2026, and an update will be provided to Members if there is a further change. The provisional rates have been built into the budget over the medium term, and the reduction is estimated to have saved £300k in 2026-27.

## 6.6 Other grants and risks

6.5.1 In addition to the pension grant which sits outside the assessed CSP, the Service has been provided with grant funding to support protection and building safety regulatory requirements post-Grenfell. This funding peaked at £339k in 2020-21 and has slowly reduced since, with £226k provided in 2024-25 and 2025-26, subject to approved usage. The assumption built into the budget is that the funding will continue at the same level over the medium term.

6.5.2 Despite the continued reduction 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. The risk that this poses, particularly any possible future spikes in inflation, is being closely monitored by officers.

## 6.7 Budget requirement over the medium term

6.7.1 The table below shows the Authority's forecast budget requirement from 2026-27 to 2028-29 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.

<b>Revenue budget</b>	<b>2026-27 £m</b>	<b>2027-28 £m</b>	<b>2028-29 £m</b>
- Employees	66.032	68.300	70.653
- Premises	4.880	4.977	5.077
- Transport	1.572	1.603	1.635
- Supplies & services	5.879	5.996	6.116
- Agency & contracted out	2.391	2.352	2.310
- Democratic representation	0.122	0.124	0.127
- Capital financing/leasing	6.113	6.371	6.532
- Income	-6.273	-6.206	-6.240
- Transfers to/from reserves	-0.006	-0.002	0.001
- In-year savings requirement	-1.207	-1.470	-1.705
<b>Net budget requirement</b>	<b>79.503</b>	<b>82.045</b>	<b>84.506</b>

6.7.2 The Authority is required to set a balanced budget for each financial year, and the net budget requirement has been adjusted at the bottom of the table to reflect the saving that needs to be identified in each respective year to enable this to happen.

6.7.3 The Authority always considers various scenarios when forecasting future budget surplus or deficit positions. With a multi-year settlement now in place and provisional funding allocations provided for 2027-28 and 2028-29, the need for different funding scenarios is largely redundant. The only way in which the Government could directly influence this is by amending the RSG allocations, and the impact of this can be easily calculated. If the RSG allocation was increased by £1m per year in 2027-28 and 2028-29 for example, the budget deficits would reduce to £0.470m and £0.705m in each respective year.

6.7.4 Scenario planning is more relevant for the expenditure side of the net budget requirement, particularly relating to pay awards. The table below illustrates the revised position should pay awards of 4% per year be agreed over the three-year period:

*Table: Indicative Funding Deficits, with 4% pay awards per year*

	2026-27 £m	2027-28 £m	2028-29 £m
Total funding	79.503	82.045	84.506
Estimated net service budget	80.930	84.229	87.490
<b>Budget surplus(+)/deficit(-)</b>	<b>-1.427</b>	<b>-2.184</b>	<b>-2.984</b>

6.7.5 Alternatively, the table below illustrates the revised position if pay awards of 3% per year are agreed over the three-year period:

*Table: Indicative Funding Deficits, with 3% pay awards per year*

	2026-27 £m	2027-28 £m	2028-29 £m
Total funding	79.503	82.045	84.506
Estimated net service budget	80.405	83.074	85.644
<b>Budget surplus(+)/deficit(-)</b>	<b>-0.902</b>	<b>-1.029</b>	<b>-1.138</b>

6.7.6 The in-year savings requirement outlined in point 6.7.1 needs to be addressed, specifically the amount in 2026-27. This position will change if pay awards differ to what has been built into the budget provision, and the examples above outline the impact of possible variations.

## 6.8 Resourcing and Savings Programme

6.8.1 The resourcing and savings programme work and the ongoing need to deliver financial sustainability has been well documented in previous budget reports. 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.

- 6.8.2 Following the approval of our Community Safety Plan 2024-2028 and the completion of a comprehensive fire cover review, the Service continues to assess the allocation and productivity of its operational resources, taking account of the changing picture of risk and demand in the Service area and the desire to utilise opportunities to better match our resources to the risks we face.
- 6.8.3 Work completed in 2024-25, that was approved under the Chief Fire Officer scheme of delegation, generated annual revenue budget savings of just under £1m. A Members working group focused on station reviews also commenced and the progression of this work is outlined in a later paper at this meeting.
- 6.8.4 The actions from that paper and any associated decisions are a matter purely for this Authority. But the need to deliver ongoing financial sustainability remains, whether that be efficiencies via the station review work or other options, that will need to be assessed and approved.
- 6.8.5 As a last resort, purely to ensure a balanced budget position is reached for 2026-27, earmarked reserves could be utilised for that financial year only. Section 7 of this report outlines the current and planned reserves position over the medium-term. There are insufficient balances available to utilise this option as an ongoing route to balancing the budget.

## 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.

### 7.2 Strategic context

7.2.1 There are several 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.

### **7.3 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, 2026-27, 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 £3.267m. At the start of 2026-27 General Balances are expected to be at £3.212m and will increase to £3.267m 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, the earmarked reserves are analysed below.
- 7.4.2 Ill health retirement - Purpose - For the Firefighters' Pension Scheme, the cost of ill-health retirements and any injury compensation granted must be paid locally. This includes one-off contributions that must be made by employers. The revenue budget includes a base amount of £150k.
- 7.4.3 Learning and organisational development – Purpose - This reserve is supporting our leadership and organisational development programme work to support cultural change.
- 7.4.4 Insurance – 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. The reserve mitigates the financial risk of substantial claims that the Authority has to fund before external insurers pick up the cost of claims.

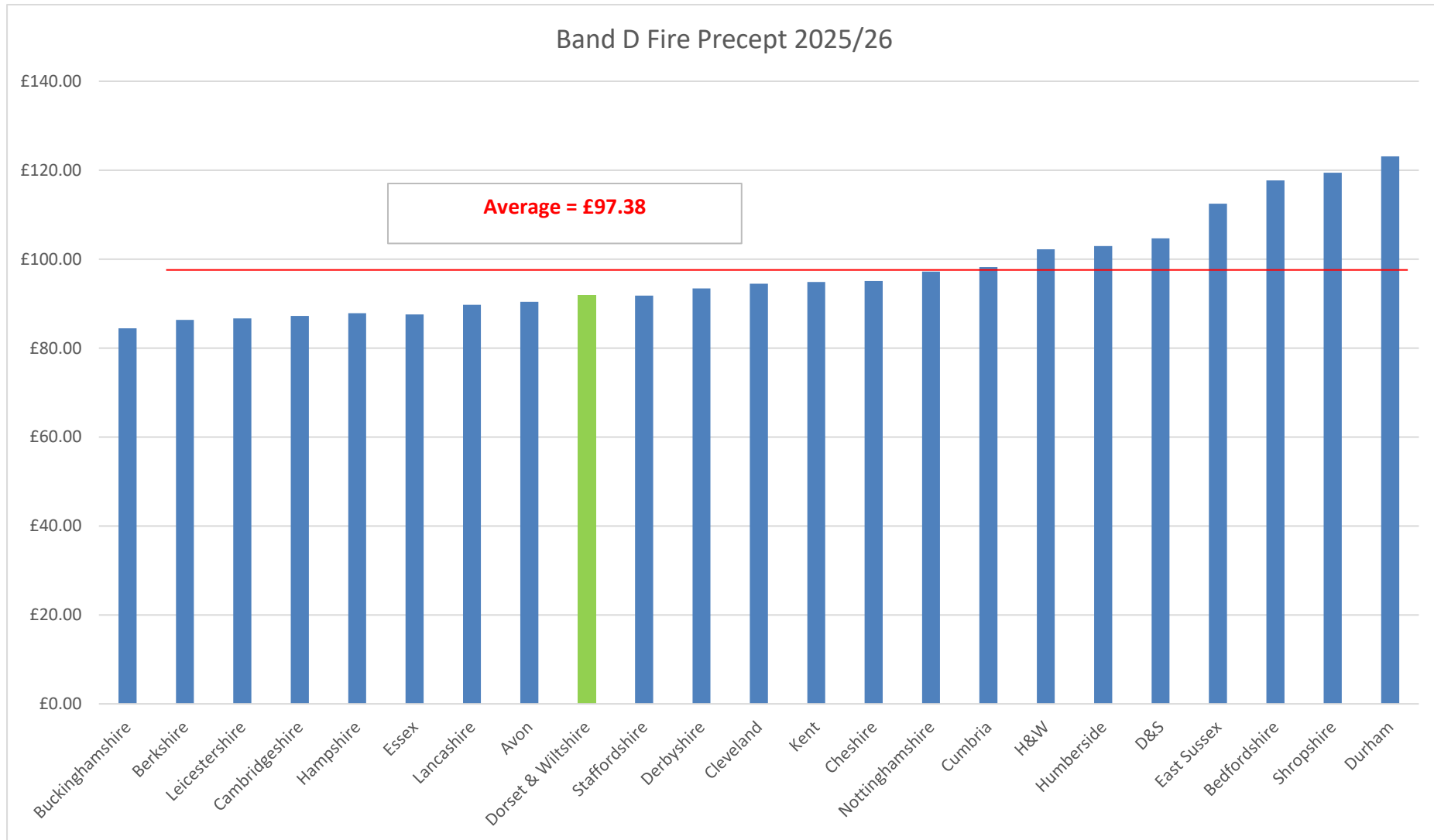
- 7.4.5 Capital replacement fund – Purpose – This reserve has been established to provide a contribution towards the costs of capital investment and reduce the need for external borrowing to support capital projects, thereby reducing long-term capital financing costs that would otherwise have to be funded through the revenue budget. This will be utilised in the next two financial years funding the essential investment in operational training facilities.
- 7.4.6 Budget and funding – Purpose - This reserve provides funding to meet one-off costs associated with any changes that the Service needs to make and provides short-term cover for deficits in our forecast MTFP. This reserve has historically helped to mitigate the financial risks associated with budget pressures and the funding uncertainty caused by successive one-year funding settlements.
- 7.4.7 Invest to save – Purpose – This reserve has been established to enable the Service to temporarily fund any initiatives that are expected to generate longer-term efficiencies that will offer ongoing benefit across the Service.
- 7.4.8 Carry forward requests – Purpose – Where the wider revenue budget position allows, year-end budget variances that occur on active projects may be carried forward to the following financial year where there is a specific and quantifiable need.
- 7.4.9 Service control – 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 the forthcoming one-off new investment required by NFSP in a new 999 mobilising system, that cannot be funded within the revenue budget.
- 7.4.10 Leasing rental – Purpose - This reserve funded the annual rental costs of leasing our Service Headquarters for the initial 10-year leasing period, up to February 2026. This reserve will cease at the end of 2025-26.
- 7.4.11 ESMCP funding – 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. The reserve is earmarked for one-off purchase costs that cannot be covered by grant funding. Usage will be reliant on progression of the project.
- 7.4.12 Earmarked grant reserves – Purpose – 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 grant

reserve for spending in future years. Current grant reserves are earmarked for areas such as prevention and the Civil Contingencies Unit. Other 'smaller' grants are reviewed annually as part of the budget process and are utilised as quickly as possible for their intended purpose.

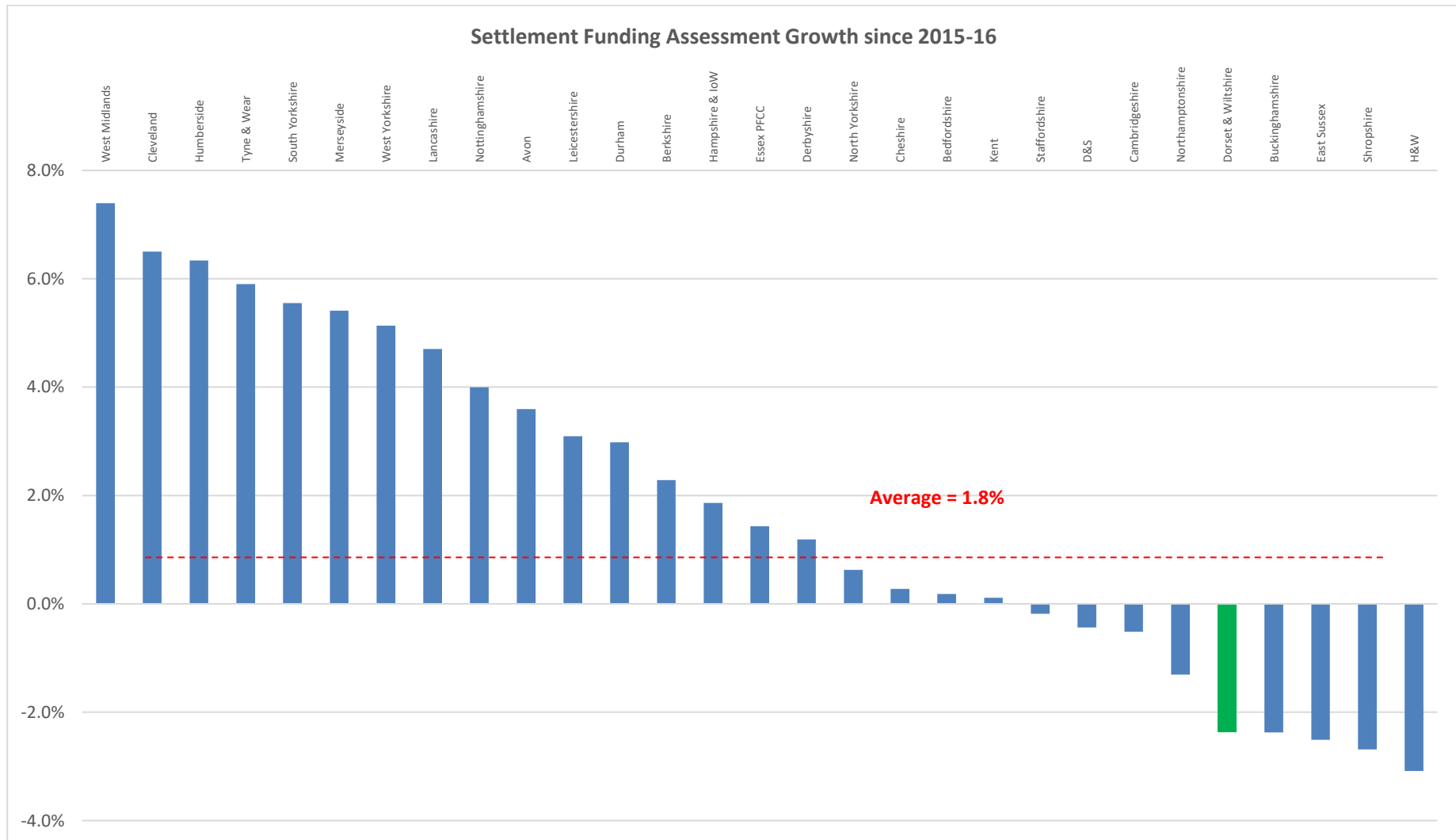
- 7.4.13 The Authority may establish additional earmarked reserves for items which have been identified through a business case, to address a specific risk or complete a specific project. These may form part of the planning cycle, either addressing a risk or maintaining the status quo rather than being 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.
- 7.4.14 The summary table below outlines the projected reserve balances for the three-year settlement period:

<b>Projected Reserves Balances</b>	<b>Balance 1 April 2025 £m</b>	<b>Forecast movement 2025-26 £m</b>	<b>Forecast Balance 31 March 2026 £m</b>	<b>Forecast movement 2026-27 £m</b>	<b>Forecast movement 2027-28 £m</b>	<b>Forecast movement 2028-29 £m</b>	<b>Forecast Balance 31 March 2029 £m</b>
<b>General Reserve</b>	<b>3.157</b>	0.055	<b>3.212</b>	0.055	0.060	0.065	<b>3.392</b>
<b>Earmarked Reserves</b>							
Ill health retirement	0.145	0	0.145	0	0	0	0.145
Leadership & organisational development	0.058	-0.020	0.038	-0.013	-0.013	-0.012	0
Insurance	1.321	0	1.321	0	0	0	1.321
Capital replacement fund	14.000	0	14.000	-9.500	-4.500	0	0
Budget and funding	1.088	0	1.088	0	0	0	1.088
Invest to save	0.500	0	0.500	-0.100	-0.100	-0.100	0.200
Carry forward requests	0.515	-0.459	0.056	0	0	0	0.056
Service Control	0.806	-0.082	0.724	-0.532	0	0	0.192
Leasing – Five Rivers	0.070	-0.070	0	0	0	0	0
ESMCP Funding	0.620	0	0.620	0	-0.250	-0.250	0.120
<b>Total Earmarked Reserves</b>	<b>19.125</b>	<b>-0.631</b>	<b>18.494</b>	<b>-10.144</b>	<b>-4.863</b>	<b>-0.363</b>	<b>3.124</b>
<b>Earmarked Grant Reserves</b>	<b>0.745</b>	<b>-0.112</b>	<b>0.633</b>	<b>-0.100</b>	<b>-0.100</b>	<b>-0.100</b>	<b>0.333</b>
<b>TOTAL</b>	<b>23.027</b>	<b>-0.688</b>	<b>22.339</b>	<b>-10.189</b>	<b>-4.903</b>	<b>-0.398</b>	<b>6.849</b>

Council tax precept level (2025-26) of all standalone Fire and Rescue Authorities (FRA's)



## Settlement Funding Assessment growth of all standalone FRA's since combination



## Settlement Funding analysis since combination

Year	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26
<b>Funding Stream</b>											
Council Tax Requirement excl. parish precepts	34.176	36.316	37.489	39.348	41.209	42.397	42.933	44.495	47.971	49.819	53.100
<b>Settlement Funding Assessment:</b>											
- Baseline Funding Level	9.478	9.567	9.763	10.056	10.286	10.453	10.453	10.453	10.845	11.314	11.438
- Revenue Support Grant	9.948	8.069	5.704	4.493	3.796	3.858	3.879	3.998	4.403	7.398	7.529
Business rates - Compensation for under-indexation	0.138	0.138	0.147	0.230	0.335	0.419	0.545	1.068	1.847	2.196	2.299
Rural Services Delivery Grant	0.009	0.049	0.039	0.049	0.049	0.049	0.052	0.052	0.058	0.067	0.000
Adjustment for rolled in grants	0.008	0.008	0.008	0.008	2.711	2.711	2.711	2.711	2.711	0.008	0.000
Transition Grant		0.167	0.210								
Services Grant								0.721	0.423	0.073	0.000
Funding Guarantee Grant									0.155	1.632	0.000
National Insurance Grant											0.498
<b>Core Spending Power Assessment</b>	<b>53.758</b>	<b>54.314</b>	<b>53.360</b>	<b>54.184</b>	<b>58.386</b>	<b>59.887</b>	<b>60.572</b>	<b>63.498</b>	<b>68.413</b>	<b>72.506</b>	<b>74.865</b>
Year on Year % Increase		1.03%	-1.76%	1.54%	7.75%	2.57%	1.14%	4.83%	7.74%	5.98%	3.25%
Cumulative % Increase											39.26%

## Supporting financial data since combination

Year	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26
<b>Description</b>											
CPI Inflation (September prior to the financial year)	1.20%	-0.10%	1.00%	3.00%	2.40%	1.70%	0.50%	3.10%	10.10%	6.70%	1.70%
Green book pay awards (from 1st April)	1%	1%	1%	2%	2%	2.75%	1.75%	£1,925	£1,925 / 3.88%	£1,290 / 2.50%	3.20%
Grey book pay awards (from 1st July)	1%	1%	1%	2%	2%	2%	1.50%	7.00%	5.00%	4.00%	3.20%
Band D Council Tax	£64.88 / 67.86	69.21	70.59	73.41	74.87	76.36	77.88	79.43	84.43	86.95	91.95
Precept flexibility per year		1.99%	1.99%	3.99%	1.99%	1.99%	1.99%	1.99%	6.29%	2.98%	5.75%
Reliability on Council Tax per year	63.57%	66.86%	70.26%	72.62%	70.58%	70.79%	70.88%	70.07%	70.12%	68.71%	70.93%

## General Reserve risk assessment

Budget	Budget Provision 2026-27 £m	Risk	Risk >8 = High 5-8 = Med <5 = Low	2026-27 £m	Commentary
Wholetime and On-call Pension Contributions	10.171	Increase in employer contribution rates for the Firefighters Pension Schemes and risk to sustainability of new pensions grant	High	0.197	With the employer pension contribution rates increasing significantly in April 2024, our employer contributions now total more than £10.1m per year. The increase was originally funded by a Government grant totalling £2.1m, but this funding allocation was reduced to £1.968m in 2025-26 and 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 is reduced by 10% again, this equates to a budget risk of £197k.
Wholetime and On-call Pay	43.018	Risk of industrial action / inability to respond to emergency incidents	High	0.215	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	62.497	Under-estimate of pay awards by 1.0%	High	0.625	The revenue budget allows for pay awards aligned to the growth in funding received. Given the current economic climate it would be prudent to recognise this as a high financial risk. £625k would cover the full year effect of a 1% variation across all staffing groups.
On-call Pay	9.633	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	0.482	These sorts of events can 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 £9.633m, so £482k represents a 5% variation.
External Funding from Central Government - Revenue Support Grant	-12.758	Future reductions in Government funding are worse than planned / forecast	High	0.255	The Medium-Term Financial Plan (MTFP) reflects the provisional RSG allocations in the multi-year settlement. There is potential for future reductions in base funding given the current economic climate and spending pledges made by Government. A 2% negative variation would equate to £255k.

Budget	Budget Provision 2026-27 £m	Risk	Risk >8 = High 5-8 = Med <5 = Low	2026-27 £m	Commentary
External Funding - Precepts	-57.389	Tax base growth for council tax is worse than forecast	Medium	0.143	Financial risk around income from council tax from billing authorities remains a concern. Standard tax base growth has reduced in the last three financial years, compared to the growth experienced prior to this. Future budgets now assume 0.90% increases. A negative variation of 0.25% could result in a loss of £143k of income.
Legal Fees	0.080	Uninsured risks and / or unfavourable outcomes from claims against the Authority - including health and safety risks, procurement challenges, employment issues, etc	Low	0.080	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	0.159	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 £159k.
Non-pay	17.963	Failure to adequately provide for non-pay inflation	Low	0.611	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.
Total Net Budget	79.503	General contingency for unidentified items	Low	0.500	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.
<b>General Balances Risk Assessment (£m)</b>				<b>3.267</b>	
<b>Budget 2026-27 (£m)</b>				<b>79.503</b>	
<b>General Balances Risk Assessment / Budget as a percentage</b>				<b>4.11%</b>	

