



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 26/36

MEETING	Finance & Audit Committee
DATE OF MEETING	9 September 2026
SUBJECT OF THE REPORT	Financial Monitoring Report - Quarter 1 2026-27
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	To note and comment upon
EXECUTIVE SUMMARY	This report provides an analysis of the current financial position for the 2026-27 financial year, reflecting actual spending to 30 June 2026. The revenue budget shows a forecast underspend of £0.440m at the current time. The impact of the higher than budgeted national pay awards and the ongoing global conflicts is outlined, alongside the significant increase in income the Service will receive in 2026-27, largely due to one-off grant funding. The forecast capital expenditure position totalling £15.314m is outlined in Section 4.
RISK ASSESSMENT	Financial sustainability remains a key focus as a strategic risk and as such the monitoring of the financial position is a critically important factor in financial planning and decision making for the Authority. Any anticipated financial outcome arising will therefore influence medium-term financial planning and the budget setting process.
COMMUNITY IMPACT ASSESSMENT	None for the purposes of this report

ENVIRONMENTAL IMPACT ASSESSMENT	None for the purposes of this report
BUDGET IMPLICATIONS	None for the purposes of this report
RECOMMENDATION	Members are asked to note and comment upon the current financial position as at 30 June 2026.
BACKGROUND PAPERS	Medium Term Finance Plan 2026-27 to 2028-29 – Fire Authority, 10 February 2026.
APPENDICES	Appendix A – Revenue Monitoring Statement 2026-27 Appendix B – Reserves and Unused Grants Statement 2026-27 Appendix C – Capital Monitoring Statement 2026-27 Appendix D – Treasury Management Prudential Indicators 2026-27 Appendix E – Treasury Management Statement 2026-27
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1. Introduction

- 1.1 This report provides an update on the budget position for the 2026-27 financial year, covering the period to 30 June 2026. At Fire Authority on 10 February 2026 a net revenue budget for the financial year of £79.503m was approved, alongside a capital programme for the year of £17.767m.
- 1.2 At the February Fire Authority meeting the requirement to identify in-year revenue savings totalling £1.207m to ensure that the required balanced budget position was also outlined. Subsequently at the June Fire Authority meeting, Members were notified that the Service had successfully applied for £1.805m of one-off grant funding linked to data transformation work. Section 2 of this report outlines how this and other issues have amended this position, and that a balanced budget position will be achieved in 2026-27.
- 1.3 At the Finance & Audit Committee meeting on 22 July 2026 approval was given for the capital programme for 2026-27 to be amended to £16.232m. This reflected the need to re-profile the planned spend totalling £3.568m for two projects to future financial years and the carry-forward of budget totalling £2.033m from 2025-26 for ongoing projects that had commenced but had not been completed at year-end.
- 1.4 Appendices A, B and C show the summary revenue, reserves and capital projections for the financial year. Appendices D and E provide information on treasury management prudential indicators, borrowing and investment activity for the quarter.

2. Revenue Monitoring

- 2.1 On-call operational activity and employee costs (note 1)
 - 2.1.1 Employee costs continue to absorb a large proportion of the annual revenue budget and £9.633m of this budget is allocated to on-call stations, where costs can fluctuate significantly based on activity levels. Over the last three financial years on-call incident attendance levels totalled 6,748 in 2023-24, decreased to 6,172 in 2024-25 and increased back to 6,749 in 2025-26.
 - 2.1.2 The total incident numbers experienced in Q1 of 2026-27 are outlined below, with the equivalent numbers for the same period in 2025-26 provided for comparison purposes.

On-call Attendance	Apr – June 2025	Apr – Jun 2026	Difference
Fires	618	507	-17.96%
Non-Fire Incidents	453	439	-3.09%
False Alarms	682	810	18.77%
Total Incidents attended	1,753	1,756	0.17%

- 2.1.3 Activity levels and therefore costs will fluctuate throughout the year. In 2025-26 incident numbers peaked in Q2 but then reduced later in the financial year. A similar increase in Q2 numbers is also expected in 2026-27 based on the latest position and this will be detailed fully in the Q2 financial monitoring report which will be presented to this Committee in December. At the current time an overspend of £0.075m is forecast against on-call budget allocations.
- 2.1.4 This forecast overspend includes the impact of the confirmed pay award for uniformed employees for 2026-27 of 3.80%. The budget approved by Fire Authority in February 2026 outlined that a pay award of 3.58% would be built into the budget, which reflected the total increase of funding received by the Service for the year. The budgetary pressure created by the pay award being greater across the three impacted staffing groups totals £0.075m for 2026-27. There will be a permanent budgetary impact of this, which will be incorporated into the medium-term financial plan for 2027-28.
- 2.1.5 The pay award for corporate members of staff is yet to be agreed, with negotiations ongoing. The current forecast is based on the 3.58% budgetary provision. If the pay award was to reflect the uniformed one, an additional budgetary pressure of £0.040m would be created. The Q2 financial monitoring report will provide a further update on this to the Committee in December.
- 2.1.6 Whilst the agreed pay awards have contributed to small forecast overspends on wholetime, on-call and control staffing costs, a forecast underspend of £0.210m on corporate staff costs has reduced the total forecast overspend on the employee costs line to £0.073m.
- 2.1.7 This is based on actual costs to date and projected costs based on previous spend profiles and anticipated staffing numbers for the remainder of the financial year. During the first quarter of the financial year various vacancies have impacted the assets, HR, learning and organisational development, prevention, protection and response support departments. These vacancies are temporary and can not be maintained but offer some short-term savings to help absorb the pressure caused by the higher pay award.
- 2.2 Other non-pay related costs (notes 2 – 4)
- 2.2.1 Several small budget variances are forecast across the remainder of the revenue expenditure budget. The impact of ongoing global conflicts continues to influence utility costs and a small overspend is being forecast on premises costs to reflect this. It is a similar story on transport costs, where fuel costs continue to be higher than expected. An overspend of £0.040m is forecast for the year.
- 2.2.2 The Service continues to look for opportunities to reduce spend on agency and contracted out services, with costs largely driven by demand for those specific services in each respective year. Current activity levels suggest a small

underspend will be delivered, with reduced activity experienced in the first quarter of the year for services such as specialist legal advice.

2.3 Income and overall position (notes 5 - 9)

- 2.3.1 The income section shows a significant positive variance compared to the position outlined in the budget approved by Fire Authority in February 2026. Reimbursement of legal costs totalling £0.022m linked to the successful prosecution at the start of the calendar year have now been received, and is reflected on the general income line.
- 2.3.2 Whilst current investment rates have remained high, the level of funds the Service has available to invest has reduced compared to previous financial years and will continue to do so. This is due to two factors. Firstly, the progression of the training centres projects and the utilisation of our earmarked reserves to fund this, which will directly reduce the levels of cash managed internally for investment. Secondly, in recent months the Service has experienced a significant increase in the level of pension remedy payments made to retired employees linked to previous national legal cases. These are calculated and processed by our third-party pension provider arrangement and therefore the timing is outside of the direct control of the Service. This will not impact the Services overall revenue budget position as costs are reimbursed via top up grant funding received from the Ministry of Housing, Communities and Local Government (MHCLG). But from a cashflow perspective, and the ability to invest funds to earn interest income, the performance has suffered. Total interest earnings for the years are currently forecast as £0.150m, £0.050m less than the budgeted position.
- 2.3.3 The grants and contribution income line shows a significant positive variance of £1.760m driven by grant confirmations received after the budget was formally set by Fire Authority in February. During quarter one the Service received confirmation from MHCLG that grant funding totalling £1.805m was being allocated for historical data innovation work completed. The annual pension grant allocated to the Service, separate to the top up issue outlined above, has been confirmed as £0.095m less than 2025-26. The Service is also still awaiting confirmation of its Protection Uplift grant allocation for 2026-27 from MHCLG, but indications to date have suggested it will reduce by 20% creating a budget pressure of £0.045m. Overall, grants and contribution are forecast to increase by £1.760m during the year.
- 2.3.4 The final allocations and confirmed income the Service receives from business rates via the Local Authorities across the Service area and central Government is not formally confirmed until after the budget is set and can be subject to small fluctuations. The Service will receive an additional £0.014m.
- 2.3.5 The bottom-line revenue budget position is presented slightly different to previous financial years. The Service is required to set a balanced revenue budget for each

respective financial year, however that was not formally done in February 2026, and the original and revised budget positions reflect this with the deficit position of £1.207m being shown.

- 2.3.6 However, the additional one-off grant income received funding this financial year has moved the Service into a positive position. An underspend of £0.440m for the year is forecast. The outturn year-end variance column at the end of Appendix A shows the movement between the budget position formally approved and the forecast position at the end of quarter one.

3. Reserves and Unused Grants

- 3.1 Appendix B details the reserve and unused grant balances that the Service currently holds and their planned usage in 2026-27.
- 3.2 The general reserve balance stood at £3.212m on 1 April 2026. This is planned to increase to £3.267m this year, in line with the risk-based assessment completed as part of the budget setting process.
- 3.3 Earmarked reserves (£18.965m) and unused grants (£0.526m) stood at £19.491m on 1 April 2026. Appendix B provides a full breakdown of the reserves brought forward and the usage currently planned in 2026-27.
- 3.4 The planned usage of the capital replacement reserve reflects the current forecast spend for the training centre projects during the year. The service control system replacement reserve will also be utilised to fund the forecast capital expenditure on that project during 2026-27.
- 3.5 Various other earmarked reserves will be released in-year to fund revenue budget related expenditure aligned to the purpose that they were created for. Further usage of revenue budget carry forward requests made by departmental owners will be released in-year as the specific projects complete.
- 3.6 Unused grant reserves with specific conditions, will also be utilised wherever permissible in accordance with their terms and conditions.
- 3.7 At the end of each financial year, the revenue outturn underspend or overspend position transfers to reserves. The Service has historically typically used this to either increase or decrease the budget and funding reserve. Considering the significant underspend currently forecast for 2026-27, its proposed usage may alter at the end of this financial year.
- 3.8 If the Service is unsuccessful with its application for additional precept flexibility for 2027-28 then it will be required to allocate the underspend to the budget and funding reserve in the usual manner. Whilst the Fire Authority approved a plan to deliver ongoing financial sustainability at its meeting in June 2026, there will be a period of transition and implementation required. The reserve would be utilised on a temporary basis to fund the budget deficit for the period.

- 3.9 If the Service is successful with its application for additional precept flexibility, then the underspend would be allocated to the invest to save reserve. It would then be utilised to fund the costs of implementing the Service modernisation programme that was approved by the Fire Authority in June 2026.

4. Capital Programme

- 4.1 Appendix C details the revised Capital Programme for 2026-27, which is currently £16.232m. Planned expenditure is £15.314m.

- 4.2 Estates (note 10)

A full update on the progression of the training centre projects will be provided as part of agenda item 26/40. The cost of the projects will be incurred over multiple financial years as work is completed. Whilst slight slippage is now forecast for the current financial year, significant levels of spend will still be incurred during 2026-27. The budget allocation remaining at the end of the financial year will then be carried forward into 2027-28 for utilisation as the project continues to progress.

Various cyclical maintenance projects are due to be completed in 2026-27 aligned to ongoing estates review work. Works commenced in quarter one at Bridport and Devizes, with work at Salisbury commencing in July and work at Blandford due to be completed in late August / early September. Projects at Verwood and Shaftesbury are due to commence following procurement in quarter three, with further procurements then scheduled for October for projects at Sturminster and Swanage. Staffing changes in the estates department have led to the procurement for projects at Swindon, Stratton and Tisbury being paused. Feasibility work is now scheduled to commence in quarter three with procurement scheduled for quarter four. The exact timing and completion of works will dictate whether costs are recognised in 2026-27 or 2027-28, and further budget carry forwards may be necessary to reflect this.

Funding allocations for environmental enhancements and plant and equipment upgrade requirements reflect various planned projects. These include the planned installation of solar panels at Chippenham and Westbourne, air conditioning at various sites, security requirements and the replacement of a boiler at Weymouth. The projected underspend on other estates projects is linked to the vehicle pit at Charminster, where a more cost-effective approach has been identified.

- 4.3 Fleet and Equipment (note 11)

Our planned fleet replacement programme is progressing, with four pumping appliances recently entering the build stage. Delivery is expected in quarter four 2026-27. The last four appliances as part of this initial phase are then due to be delivered during 2027-28.

Several other vehicles have been ordered and will be delivered in this financial year. A medium van for hydrant maintenance became operational in July and two fleet vans are due for delivery in September. Seven flexi-duty officer cars are due to be ordered imminently and will be received in January, and an order for twenty small / crew vans has also been placed to support various departments, with vehicles being provided as soon as they are ready by the supplier. A number of efficiencies have been achieved as part of this wider ordering process, with wider white fleet review work also identifying the option to delay or in some cases cease planned expenditure. Other projects linked to the wildfire unit are paused temporarily to take account of recent activity and the telehandler requirement is also awaiting the progression of the training centre projects to ensure all requirements are captured.

ICT and Operational Communications (note 12)

The scheduled hardware replacement programme is progressing, with procurement activity about to commence and hardware expected in quarter four 2026-27. A contingency budget allocation of £0.025m for additional unscheduled hardware requirements was requested but is not expected to be needed based on current knowledge. The procurement process for body worn cameras has reached the evaluation stage, with the project scheduled to complete in quarter three 2026-27.

The annual ICT health check work is about to commence. Budget allocations have been requested to reflect possible needs, but will only be confirmed once the health check has been completed. Windows Server and wireless refresh work is progressing with uninterruptible power supply (UPS) replacement work also continuing at various sites.

The command & control system replacement project, procured through the Networked Fire Services Partnership (NFSP), is progressing with the next planned milestone payments now due in February 2027. Other system requirement costs reflect the recent replacement of the health and safety system and the Service website replacement, which is due to launch later this year. The project to replace the Service's finance system is also at an early stage with procurement due to formally start in September 2026.

Expenditure on operational communications is largely linked to the provision of replacement vehicles and ensuring they have the required functionality. Planned spend for some projects is paused linked to wider review work that is underway in fleet. A screen mirror system for utilisation within the control room to assist with vehicle mobilisation was recently purchased and was cheaper than previously expected.

5. Treasury Management

- 5.1 The Treasury Management Strategy for 2026-27 was approved by Fire Authority at the meeting on 10 February 2026. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and Treasury Management Code require that treasury management activity is reported quarterly as part of an authority's financial monitoring update report.
- 5.2 The Authority has a statutory duty to determine and keep under review the affordable borrowing limits. During the quarter the Authority has operated within the treasury and prudential indicators set out in the approved strategy.
- 5.3 All treasury management operations have also been conducted in full compliance with the Authority's Treasury Management Practices.
- 5.4 The Treasury Management Prudential Indicators are shown in Appendix D. Appendix E outlines the borrowing and investment position as at 30 June 2026.

5.5 Borrowing

- 5.5.1 At the start of the financial year, the Authority had outstanding external borrowing totalling £16.148m. The Treasury Management Strategy written prior to the year commencing estimated that £5.909m of new borrowing would need to be undertaken during 2026-27, based on the planned capital expenditure of £17.767m. Revenue interest costs of £550k for the year were forecast based on that forecast borrowing need.
- 5.5.2 Cashflow activity is closely managed on a daily basis to ensure ongoing liquidity. No additional borrowing has been undertaken to date in 2026-27. Existing cash balances will be fully utilised prior to entering new long-term borrowing arrangements. This reflects the fact that borrowing rates continue to exceed the investment rates available.
- 5.5.3 The Service is planning for the need to externally borrow during quarter three of 2026-27. The cost of existing borrowing for the year will total £473k, and is outlined in Appendix E. It is possible that new borrowing will initially be taken for a short-term period, reflective of the higher level of interest rates currently being experienced. All options are currently being explored and considered with our independent external treasury advisors. A further update will be provided to this Committee in December 2026.
- 5.5.4 The in-year external borrowing forecast made at the point of budget setting was based on the need to support the planned levels of capital expenditure. The cashflow impact of the additional pensions cost being experienced in recent months was not known, and therefore factored in. The Service has engaged with MHCLG in recent weeks to explore options to access additional top up grant funding earlier

than the next scheduled payment, and there is a potential option to apply for this which will be offered across the sector in September. To ensure sufficient headroom a request to increase the authorised limit and operational boundary for external debt may also be made to Fire Authority in the mid-year treasury management report in December 2026.

5.6 Investments

- 5.6.1 Officers continue to look at all available options to invest funds securely and maximise investment opportunities aligned to our Treasury Management Strategy. The reduced levels of cash being held by the Service is outlined earlier in this report and limits the scope to invest.
- 5.6.2 Investment balances totalled £1.598m on 1 April 2026. That balance increased slightly to £2.701m at the end of quarter one.
- 5.6.3 Alongside the fixed term investments, daily cashflow is managed via instant access 'Money Market Funds' and 'On-Call Deposits'. The return generated on these is slightly less but does enable immediate liquidity to be maintained as required.

6. **Summary and key points**

- 6.1 The revenue budget shows a forecast outturn underspend for the year of £0.440m at the current time.
- 6.2 The impact of the higher than budgeted pay award for uniformed staff and the ongoing impact of global conflicts on utility and fuel prices has led to a forecast revenue expenditure overspend of £0.104m. But income received by the Authority is now forecast to exceed the budgeted position by £1.737m, largely due to additional grant one-off grant funding received from MHCLG. This has enable the Authority to move from a budget deficit position of £1.207m at the point of budget setting, to the forecast underspend position for the year.
- 6.3 The forecast capital programme expenditure for the year is £15.314m, against a revised capital programme of £16.232m.