DORSET & WILTSHIRE FIRE AND RESCUE AUTHORITY

Item 26/50

MEETING	Finance & Audit Committee
DATE OF MEETING	2 December 2026
SUBJECT OF THE REPORT	Financial Monitoring Report - Quarter 2 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 September 2026. The revenue budget shows a forecast overspend of £0.137m at the current time. The impact of the higher than budgeted national pay award for uniformed staff, the ongoing global conflicts and the exceptionally busy summer period experienced by the Service is outlined, alongside the increase in income the Service will receive in 2026-27, largely due to one-off grant funding. The forecast capital expenditure position totalling £9.176m 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 September 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 September 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 2026 Fire Authority meeting, the requirement to identify in-year revenue savings totalling £1.207m to achieve 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 £9.645m 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 Q2 of 2026-27 are outlined below, with the equivalent numbers for the same period in 2025-26 provided for comparison purposes.

On-call Attendance	July – Sept 2025	July – Sept 2026	Difference
Fires	683	871	27.53%
Non-Fire Incidents	409	420	2.69%
False Alarms	778	953	22.49%
Total Incidents attended	**1,870**	**2,244**	**20.00%**

2.1.3 The year-to-date position is detailed below.

On-call Attendance	Apr – Sept 2025	Apr – Sept 2026	Difference
Fires	1301	1,378	5.92%
Non-Fire Incidents	862	859	-0.35%
False Alarms	1,460	1,763	20.75%
Total Incidents attended	**3,623**	**4,000**	**10.41%**

2.1.4 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, and this area is being closely monitored in the current financial year. The on-call pay bill for October 2026, which reflects activity levels in September as claims are submitted in arrears, totalled £0.819m. The November 2026 bill, reflecting October claims, totalled £0.765m. Costs peaked in August and September 2026 when the pay bills were £1.036m and £1.064m respectively. The average cost in the first four months of the financial year was £0.806m, suggesting that activity levels are reducing back to those seen in the early part of the financial year.

2.1.5 The numbers above outline the additional costs incurred using on-call resources over the busy summer period. Costs in August and September in total were £0.488m higher than the average per month in the first four months of the year. At the current time an overspend of £0.535m is forecast against the on-call budget allocation for the year.

2.1.6 Additional operational activity also impacts wholetime stations and an overspend of £0.340m is currently forecast. £0.128m of overtime costs were incurred in July and August. The Government hosted England's first Wildfire Summit on 23 October 2026, announcing a £70m wildfire response and resilience package. Not all of this funding will reach the Fire Sector, with £25m allocated to Defra for peatland restoration, but £45m is allocated for specialist wildfire teams and wildfire-specific PPE. The Service is currently completing a procurement process to ensure that this equipment is provided as soon as possible.

2.1.7 The remaining £5m of funding is allocated to support the additional costs incurred by Services in the Summer of 2026, and details of the claims process were communicated by MHCLG on 19 November. The Service has until 31 December to submit a claim and is actively working on this at the current time. The Service will be submitting a claim for additional expenditure incurred responding to incidents which meet the definition of a wildfire in the Dorset & Wiltshire area and an update on the outcome of this will be provided to this Committee in February 2027. At the current time the costs are still being verified and therefore no receipt of grant funding is built into the forecast position for incidents within Dorset & Wiltshire.

2.1.8 The guidance issued outlines that Service claims can include costs incurred by other Services who offered additional support for wildfire incidents. The Service supported five other Services across England and Wales incurring estimated costs of £0.147m. The Service is engaging with those five Services to ensure that these costs form part of their claim. As some of these incidents were some of the higher profile ones across the Summer period it is expected that these will be settled in the claim process, and income totalling £0.147m has been included in this forecast on the grants and contribution line.

2.1.9 The operational activity levels clearly form a significant part of the wider employees overspend reported, but there are other contributing factors. 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 actual increase in funding received by the Service for the financial year. The pay awards have subsequently been agreed as 3.80% for uniformed staff effective from 1 July 2026 and 3.30% for corporate staff effective from 1 April 2026. This creates a small net budgetary pressure of £0.023m across all staffing groups. As well as the immediate impact in 2026-27, this will need to be incorporated into the medium-term financial plan for 2027-28.

2.1.10 Nine new recruits and one transferee from another FRS joined the Service in September. The new recruits require a period of training before they can become operational, and they will be allocated to stations from January 2027.

2.1.11 The net forecast position for staffing costs across our control and corporate staffing costs is an underspend of £0.332m. This is largely driven by corporate staffing vacancies, with fourteen posts vacant at the end of September 2026.

2.1.12 The staffing forecast reflects actual costs to date and projected costs based on previous spend profiles and anticipated staffing numbers for the remainder of the financial year. These vacancies are temporary and cannot be maintained but offer some short-term savings to help absorb the pressure caused by the higher pay award and increased summer operational activity.

2.2 Other non-pay related costs (notes 2 – 4)

2.2.1 The impact of ongoing global conflicts continues to influence utility costs and a small overspend of £0.052m is being forecast on premises costs to reflect this. Reactive maintenance costs are also contributing to this figure and are slightly higher than expected. The projected overspend has reduced from the position at the end of quarter 1 due to a temporary business rates reimbursement received for Devizes training centre for the ongoing development works.

2.2.2 It is a similar story on transport costs, but the forecast variance on fuel costs has not been absorbed to date across other budget lines. An overspend of £0.156m on fuel is forecast for the year, based on current prices and usage rates. Vehicle repair

and maintenance costs are also higher than budgeted, but these costs are offset by a reduction in tyre replacement costs.

2.2.3 Across the rest of the expenditure budget there are several small overspends and underspends that effectively cancel each other out, leaving a small net underspend of £0.029m. 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. A small overspend on external audit fees is now expected, due to historical scale fee adjustments communicated over the Summer and additional fees for the latest audit process, which are now being requested. An additional piece of work with our external treasury advisors has recently been commissioned with the aim of reducing future financing costs and the PFI arrangement unitary charges are also forecast to be higher than originally budgeted in this financial year.

2.2.4 The Service has had to externally borrow funds in quarter three of 2026-27 and the interest costs that will be incurred form part of the forecast overspend on capital financing and leasing costs. Section 5.5 of this report outlines the approach taken to try and minimise these costs.

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 has now been received and is reflected on the general income line. Small positive variances are also forecast on co-responder income, installation of safety equipment and proceeds from the sale of vehicles that have reached the end of their useful lives.

2.3.2 Whilst current investment rates have remained high and will be further enhanced by the increase in interest rates announced in the first week of November, the level of funds the Service has available to invest has reduced significantly compared to previous financial years. The update presented to this Committee in September 2026 outlined why, and further details of the developments since are outlined in section 5.5 of this report. Total interest earnings for the year are currently forecast as £0.165m, £0.035m less than the budgeted position.

2.3.3 The grants and contribution income line shows a significant positive variance of £1.907m largely 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 expected receipt of £0.147m of wildfire claim funding in Q4 2026-27 is also reported here.

2.3.4 The annual pension grant allocated to the Service 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.

2.3.5 The final allocations and confirmed income the Service receives from business rates via the Local Authorities across the Service area and central Government are not formally confirmed until after the budget is set and can be subject to small fluctuations. The Service will receive an additional £0.014m.

2.3.6 The bottom-line revenue budget position is presented slightly differently 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.

2.3.7 The additional one-off grant income funding received during Q1 of this financial year moved the Service into a positive position at that point. But the subsequent pay award agreed for uniformed members of staff, the ongoing impact of global conflict on inflation, utility and fuel costs and the exceptionally busy summer experienced by the Service mean an overspend of £0.137m is now forecast for the year.

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 this financial year. The timing of the next milestone payment for the new command and control system has been delayed until Q1 2027-28, so the service control system replacement reserve won’t now be utilised until the next financial year.

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. Funding from the hydrant reserve will be allocated to reflect the payment for works completed in previous

financial years and a large historical injury pension payment has been made which means the associated reserve will be fully utilised.

3.6 Unused grant reserves with specific conditions and other contributions received will also be utilised wherever permissible in accordance with their terms and conditions. The content of Appendix B has been expanded to detail the specific reserves held, as requested at the meeting of this committee in September.

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, and that is the approach currently planned for year-end.

4. Capital Programme

4.1 Appendix C details the revised Capital Programme for 2026-27, which is currently £16.232m. Planned expenditure is now forecast as £9.176m.

4.2 Estates (note 10)

A full update on the progression of the training centre projects will be provided later in this meeting. Due to the slippage experienced at both sites, costs incurred within 2026-27 will be significantly lower than originally forecast. The costs of the projects will be charged as work is completed and the expectation has always been that this would be over a period of several financial years. 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.

The small internal Estates team have also been implementing various planned cyclical maintenance projects in-year, aligned to ongoing estates review work. Works have now been completed at Bridport, Devizes, Salisbury and Blandford. Projects at Shaftesbury and Verwood are due to commence in January 2027. Procurement processes for works at Sturminster Newton, Swanage, Hamworthy, Tisbury, Swindon and Stratton have been delayed due to staffing changes in the estates department but are planned to commence in this financial year. The exact timing and completion of works will dictate when costs will be incurred here as well. It is likely that this will now be in 2027-28 and the forecast position reported outlines that the budgets will need to be carried forward.

Funding allocations for environmental enhancements and plant and equipment upgrade requirements reflect various projects. These include the planned installation of solar panels at Shaftesbury, Chippenham and Westbourne, and air conditioning at Salisbury, Stratton, Trowbridge, Westlea, Springbourne, Hamworthy, Christchurch, Redhill and Westbourne.

With a forecast overspend of £0.005m across the full Estates programme, unplanned costs to enhance station security arrangements and drainage works at

Salisbury fire station have almost been fully absorbed in existing budget allocations. Works to replace the boiler, repair the roof and refurbish the interior at Weymouth fire station will now need to be rolled forward into 2027-28 due to resourcing.

4.3 Fleet and Equipment (note 11)

Our planned fleet replacement programme is progressing, with four pumping appliances currently being built. 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. Work has commenced to review the requirements for the new batch of appliances prior to the procurement process and is likely to require five P1 appliances and three P7s.

Several other vehicles have been ordered and will be delivered in this financial year. New hydrant inspection vans and fleet vans have been delivered and are now operational. Seven flexi-duty officer cars are due to be ordered imminently and will be received in quarter 4 2026-27. An order for twenty small / crew vans was placed earlier this financial year to support various departments, with vehicles being provided as soon as they are ready by the supplier. A procurement for fleet maintenance vans has also recently been released.

Several 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 such as the telehandler requirement are awaiting the progression of the training centre projects to ensure all requirements are captured and will now likely need to be carried forward. Equipment costs incurred are largely aligned to the fleet replacement programme and small underspends are also forecast here.

4.4 ICT and Operational Communications (note 12)

The scheduled hardware replacement programme is progressing, with hardware expected in quarter four 2026-27. The procurement process for body worn cameras has delivered a saving of £0.028m against the requested budget of £0.200m, with reduced costs negotiated in the procurement process.

The annual ICT health check is complete, and the cyber security team are reviewing the required actions and associated costs. Windows Server and wireless refresh work is progressing with uninterruptible power supply (UPS) replacement work also continuing to align sites in the South of the Service to the North. The security platform project is at the point of tender and will be completed in Q4 2026-27. Planned firewall replacement work has been incorporated into the wider SDWAN project, generating a saving of £0.125m. The change in approach made the works significantly cheaper, whilst also increasing functionality and security.

The command & control system replacement project, procured through the Networked Fire Services Partnership (NFSP), has been subject to a small delay in timescales. The new system is now entering a period of development and testing and will go live in October 2027. The next planned project milestone payment has been delayed from February 2027 to Q1 of 2027-28, and the Service will receive a small reimbursement as compensation. The budget for this payment will therefore now be carried forward into 2027-28.

Other system requirement costs reflect the recent replacement of the health and safety system and the Service website replacement, which has recently gone live. Whilst both projects were initially funded as part of the Service's capital programme, the nature of the costs incurred means they need to be recognised in the revenue budget, and the budget will be transferred to reflect this. The project to replace the Service's finance system is progressing, with the tender released in November 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 September 2026.

5.5 <u>Borrowing</u>

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 to part-fund 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. Existing cash balances will be 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 Whilst no new borrowing was taken during Q2 2026-27, the Service has needed to borrow externally during Q3 to meet liquidity needs. This has always been planned and delayed until it was critical to avoid the Service incurring unnecessary borrowing costs. The loan for £5m was secured in October, before recent interest rate increases by the Bank of England, for a period of 12 months at an interest rate of 5.32%. The duration has been kept to one year reflecting advice received from our external treasury advisors, and the expectation that interest rates will reduce in the coming years, when longer-term arrangements will be secured.

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 in 2026-27. The report to this Committee in September outlined a significant increase in pension remedy payments made to retired employees linked to previous national pension cases. The timing of these is outside of the direct control of the Service, and whilst funding is provided via a top up grant from MHCLG, this is typically received in arrears. So, the level of available funds held by the Service and its liquidity position has reduced in recent months, hence the need to borrow in October.

5.5.5 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 an application requesting £6.8m was made in October 2026. The outcome of this is expected in January 2027. If it is not approved, the Service will likely need to borrow again externally in the coming months to support the ongoing pension costs and the unfinanced element of the capital programme in 2026-27. This has reduced from £5.909m to £5.116m as outlined in Appendix D.

5.5.6 If the application is successful, the timing of the associated payment may still dictate that the Service needs to borrow short-term to maintain liquidity. This will be done for as short a term as possible, purely to cover the Service cashflow position until the top up grant funding is received.

5.5.7 It should be noted that the utilisation of external borrowing, both long-term to part-fund the required levels of capital expenditure each financial year and short-term to ensure ongoing Service cashflow liquidity, is common, not only across the Sector

but also in the wider public sector. Members will be aware of the ongoing treasury management arrangements at their constituent Authority from their own Council meetings, and the Service operates in the same manner. Whilst the Service does not have the uncertainty of timings of payments being made from local council tax and business rate payers, it receives scheduled payments from the four Councils across the Service area to receive our share of the total income and therefore must plan its cashflow accordingly. Borrowing short-term is considered prudent in the current global economic environment.

5.5.8 Appendix D outlines the current forecast position for gross external debt, the operational boundary and the authorised limit. These numbers not only include the impact of the factors outlined already, but also the required accounting adjustments for our ongoing PFI and finance lease arrangements. These are re-calculated at year-end and can move significantly based on the position and status of the arrangements at that point in time. As an example, the total lease liability increased by £1.324m at the point of remeasurement at the end of March 2026. Similar significant movements may be generated by the outcome of the Estates Rationalisation paper at this meeting and Fire Authority on 8 December 2026.

5.5.9 In light of this, the wider current cashflow uncertainty also outlined, and to ensure sufficient headroom is maintained a request to increase the authorised limit and operational boundary for external debt will be made to Fire Authority in the mid-year treasury management report on 8 December 2026.

5.6 Investments

5.6.1 With the funding that is available, Officers continue to look at all available options to invest funds securely and maximise investment opportunities aligned to our Treasury Management Strategy.

5.6.2 Investment balances totalled £1.598m on 1 April 2026. That balance increased slightly to £2.701m at the end of June 2026 but was £0.733m at the end of September 2026. This reinforces the reasoning as to why external borrowing was needed in October 2026, and why the level of investment income being generated in 2026-27 is significantly lower than in previous years.

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 overspend for the year of £0.137m at the current time. This is due to the impact of the higher than budgeted pay award for uniformed staff, the ongoing impact of global conflicts on inflation, utility and fuel prices and the exceptionally busy summer period experienced by the Service.

6.2 The forecast capital programme expenditure for the year is £9.176m, against a revised capital programme of £16.232m. Project budgets totalling £6.217m will be carried forward into 2027-28.