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|-----------------|-------------------------------------------------------|-------------------------------------------------------------------------------------|
| Report to       | <b>Executive Panel</b>                                |  |
| Date            | <b>15 December 2025</b>                               |                                                                                     |
| Lead Officer    | <b>Helen MacArthur, Assistant Chief Fire Officer</b>  |                                                                                     |
| Contact Officer | <b>Elgan Roberts, Head of Finance and Procurement</b> |                                                                                     |
| Subject         | <b>Budget Setting 2026/27</b>                         |                                                                                     |

## PURPOSE OF REPORT

- 1 To provide Members with an update on the financial planning assessment to set a balanced budget for 2026/27 and seek endorsement to communicate the indicative levy to constituent local authorities.

## EXECUTIVE SUMMARY

- 2 North Wales Fire and Rescue Authority (the Authority) is required to provide indicative figures for the 2026/27 financial levy to constituent local authorities by 31 December 2025 and confirm the final figures by 15 February 2026. To achieve this, the Authority will consider the revenue and capital budget for 2026/27 at its meeting on 19 January 2026. The budget planning process has been subject to scrutiny by the Budget Scrutiny Working Group and the current planning assessment of £54.375m has been confirmed.

## RECOMMENDATIONS

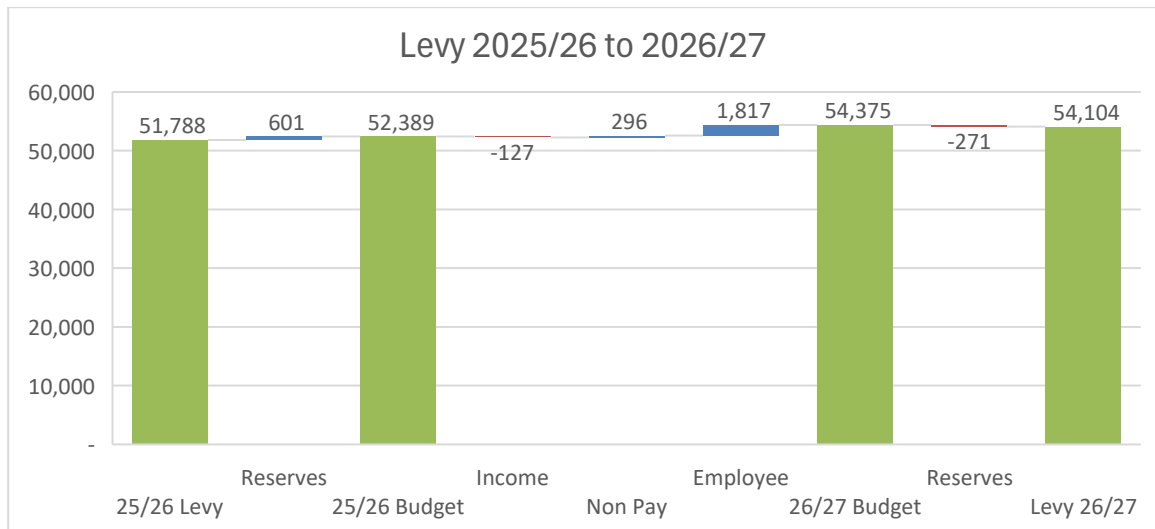
- 3 It is recommended that Members:
  - i) **Note the findings of the Budget Scrutiny Working Group, including the planning assumptions being used to develop the revenue budget for 2026/27;**
  - ii) **Note the current financial planning assessment of a revenue budget requirement of £54.375m and capital budget of £6.661m for 2026/27;**
  - iii) **Note the proposal to utilise £0.271m of reserves for 2026/27; and**
  - iv) **Endorse the communication of the draft financial levy of £54.104m from the constituent local authorities.**

## BACKGROUND

- 4 Each year the Authority is required to set a balanced revenue budget which must be approved by the full Authority. The indicative financial levy must be communicated to constituent local authorities by 31 December each year and the final levy confirmed by the 15 February before the commencement of the financial year. To achieve these timescales, the 2026/27 proposed revenue and capital budgets will be presented to the Authority at its meeting on 19 January 2026.
- 5 The Chartered Institute of Public Finance (CIPFA) requires that organisations have financial plans which demonstrate how expenditure will be funded over the short and medium term. The Authority's financial sustainability is, therefore, underpinned by knowledge and understanding of the key cost drivers and evaluation of risks and uncertainties.
- 6 Following the ECR consultation, work is ongoing to improve rural availability; however, savings will not be realised as options involving cash releasing savings were not approved by the Authority. The Nucleus Crewing pilot at Porthmadog and Dolgellau will be monitored during 2026/27.
- 7 The process has been overseen by the Budget Scrutiny Working Group (the Group) which was established to provide scrutiny of the budget setting process.

## INFORMATION

- 8 The Group was established by the Authority with representation from each constituent local authority. It has convened on five occasions to review all aspects of the North Wales Fire and Rescue Service's (the Service) expenditure. These meetings focused on key areas, including direct pay costs, non-pay expenditure, capital financing, interest, and lease arrangements.
- 9 Detailed budget planning has been conducted in line with the key planning assumptions, risks, and uncertainties outlined in [Appendix 1](#).
- 10 The initial detailed budget planning identified additional unavoidable pressures, which have since been addressed through the efforts of the Group. The final draft assessment establishes a budget requirement of £54.375m. After utilising £0.271m from reserves, the levy requirement for 2026/27 is £54.104m, representing a 4% gross increase in the local authority levy.



- 11 A draft breakdown of the levy requirement of £54.104m by each constituent local authority is set out within [Appendix 2](#).
- 12 The table below confirms reductions of £1.349m in the budget requirement identified through the work of the Group during the year.

| £'m          | 2025/26       | 2026/27 Draft 1 | 2026/27 Draft 2 | 2026/27 Proposed Budget | Changes via Budget Scrutiny |
|--------------|---------------|-----------------|-----------------|-------------------------|-----------------------------|
| Employees    | 36.915        | 39.152          | 38.844          | 38.732                  | 0.420                       |
| Non-Pay      | 16.513        | 17.700          | 17.167          | 16.810                  | 0.890                       |
| Income       | -1.039        | -1.128          | -1.211          | -1.166                  | 0.038                       |
| <b>Total</b> | <b>52.389</b> | <b>55.724</b>   | <b>54.800</b>   | <b>54.375</b>           | <b>1.348</b>                |

- 13 Employee costs are expected to increase from £36.915m in 2025/26 to £38.732m in 2026/27, representing a year-on-year rise of 4.9%. This figure includes an allocation of £0.352m to expand establishment capacity, in accordance with recommendations from the Fire Advisor for Wales and to ensure compliance with legislative requirements. Excluding these additional costs, the underlying year-on-year increase is 4%.
- 14 Provisions have been made to support the continued expansion of the Retained Duty System (RDS), thereby enhancing operational resilience. The annual cost of £0.163m includes funding for the recruitment of 15 additional posts, ensuring that response capacity and resilience are maintained.
- 15 Additional financial pressures resulting from the full-year impact of recruitment in 2025/26, staff progression from development to competent pay, and job evaluation have been mitigated through savings and reductions in employer contributions to the Local Government Pension Scheme.

- 16 The budget planning process incorporates key risks and assumptions, most notably that pay awards are based on an assumed inflation rate of 3.8%. Any settlement exceeding this rate will result in additional cost pressures beyond the current budget proposal. In such cases, internal measures will be implemented to mitigate the impact in the short term, including the use of the general fund and relevant earmarked reserves.
- 17 Non-pay costs are projected to increase from £12.012m in 2025/26 to a revised baseline of £12.309m for 2026/27. The utilisation of £0.271m of reserves for one-off expenditure reduces the total levy impact to £12.039m. The in-year increase includes the reclassification of certain capital expenditure as revenue following an internal review to ensure compliance with the CIPFA standards.
- 18 Income is projected to rise from £1.039m in 2025/26 to £1.166m in 2026/27. This additional income offsets pay and non-pay pressures by £0.082m and includes budgets for the sale of vehicles (£0.100m) and interest expected on investments (£0.037m). These gains are partially offset by a reduction of £0.092m in known grant funding and Service Level Agreements (SLAs).
- 19 A capital allocation of £6.661m is proposed for 2026/27; however, schemes will only progress once all associated business cases have been fully developed and subjected to rigorous scrutiny. Capital financing costs are forecast to remain stable at £4.501m, reflecting reductions in the Minimum Revenue Provision (£0.027m) and lease costs (£0.076m). These savings are offset by a £0.060m provision for Capital Expenditure from Revenue Account (CERA) and an increase in interest payable, driven by the reprofiling of the loan book towards longer-term borrowing to provide certainty and continuity.

## **FURTHER WORK**

- 20 Business cases for new capital and non-pay funding will undergo further internal scrutiny to ensure they align with the organisation's strategic objectives, effectively mitigate risks, and comply with the principles of the Well-being of Future Generations Act 2015. This process will provide assurance that proposed investments contribute to long-term sustainability, deliver value for money, and support the wider goals of economic, environmental, and social well-being.
- 21 The draft financial planning assessment will be subject to further refinement and updated in the final assessment presented to the Authority at its meeting on 19 January 2026.

- 22 Treasury Management Strategy reports for 2026/27 are currently in development. Following consideration and approval by the Finance and Procurement Committee, these reports will be submitted to the Authority for scrutiny and endorsement at the Audit Committee in March, with final approval scheduled at the Fire Authority meeting on 20 April 2026.

## IMPLICATIONS

|                                        |                                                                                                                                                                                        |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Wellbeing Objectives                   | The proposals support the Authority's Improvement and Wellbeing Objectives by ensuring financial sustainability and service resilience.                                                |
| Budget                                 | The planning assessment confirms a budget requirement of £54.375m, with £0.271m of reserves applied to reduce the levy impact.                                                         |
| Legal                                  | The Authority must set a balanced budget in compliance with statutory requirements and CIPFA guidance.                                                                                 |
| Staffing                               | Staffing costs represent over 70% of total expenditure. Key risks include pay award uncertainty, recruitment challenges for retained duty staff, and maintaining corporate resilience. |
| Equalities/Human Rights/Welsh Language | These issues will be factored into budget setting proposals.                                                                                                                           |
| Risks                                  | Principal risks and uncertainties are detailed in Appendix 1.                                                                                                                          |

**Appendix 1**  
**Summary of planning assumptions and risks**

| Heading        | Planning assumptions used in budget setting                                                                                                                                                                                                                                                                                                                                                                                                                    | Risks/Uncertainties                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Employee costs | <ul style="list-style-type: none"> <li>Staffing budgets based on existing service delivery models and outcomes of the Emergency Cover Review (2023).</li> <li>Retained Duty System (RDS) budget assumes headcount continuation, not full establishment (approx. additional £3m if fully resourced). Additional RDS recruitment capped at 15 posts (was 30 in 2024/25).</li> <li>Pay award planning assumption: 3.8% inflation for all staff groups.</li> </ul> | <ul style="list-style-type: none"> <li>The National Joint Council (NJC) has not yet reached agreement on the firefighter pay award for 2026/27.</li> <li>The budget planning assumes normal levels of activity. If spare conditions occur budget pressures will be experienced. The working assumption is that the General Fund would be utilised in the first instance.</li> <li>Recruitment challenges for RDS and high retirement levels could increase costs.</li> <li>Legal challenges on pension remedy (O'Brien/Matthews 2) may require additional administrative funding.</li> </ul> |

| Heading | Planning assumptions used in budget setting                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Risks/Uncertainties                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Non-Pay | <ul style="list-style-type: none"> <li>Budgets formulated using zero-based approach; new expenditure over £10k requires a business case.</li> <li>Inflationary pressures where known are factored into contracts and supply chain costs.</li> <li>Unavoidable costs associated with industry specific health and safety matters have been included within the non-pay budget. These include costs associated with the training of operational firefighters and the management of contaminants.</li> <li>One off non-pay expenditure of £271k allocated to be funded through utilisation of reserves.</li> </ul> | <ul style="list-style-type: none"> <li>Whilst the Service continues to review non-pay costs and strives to manage cost pressures within the planned budget this remains an area of risk and uncertainty. In particular, it has been noted that delays in the delivery of goods or services have impacted on the time profiles of expenditure.</li> <li>Although cost inflation is generally more manageable than in recent years it is noted that some areas of concern remain. This includes increases in licences associated with software including business critical systems and insurance cost.</li> <li>The cost of gas and electricity has been a known cost pressure since 2022/23 due to global cost pressures. The position appears to have stabilised and the budget for 2026/27 is predicated on best estimates at this time. However, volatility in the market continues and this is carefully managed throughout the financial year with the current contract due to expire during 2026/27.</li> </ul> |

| Heading           | Planning assumptions used in budget setting                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Risks/Uncertainties                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Capital Financing | <ul style="list-style-type: none"> <li>• The capital financing requirement for 2026/267 includes the revenue charge for the minimum revenue provision for existing assets and an estimate of the interest charges arising from borrowing. These costs are influenced by historical capital expenditure, the need to borrow for the 2026/27 capital programme and the impact of interest rate increases when re-financing maturing loans.</li> <li>• The initial planning assessment assumes that all future borrowing will be at the prevailing PWLB rate at the time of budget setting, currently estimated at 4.6%. The Authority receives independent advice and guidance on this matter from Arlingclose, a specialist advisory company.</li> <li>• The capital plan includes potential costs associated with business cases submitted by each Head of Department. This includes some provision for initial costs associated with the Training Centre Project to enable a detailed business case and funding model to be developed.</li> </ul> | <ul style="list-style-type: none"> <li>• The increase in interest rates in recent years is a key risk area and is exacerbated as a number of loans require refinancing during the 2026/27 financial year. Financial modelling undertaken to assess the affordability of all proposals during the budget setting process.</li> <li>• The timing of any costs associated with a new training centre are unknown at this stage as the business case has not been considered by the Authority. Although it is not anticipated that the final business case and funding options will not be presented for approval until 2027 provision for costs associated with detailed planning applications will be included in the initial budget estimates.</li> </ul> |
| Income            | <ul style="list-style-type: none"> <li>• Income budgets have been reviewed and set in line with previous years, subject to inflationary increases.</li> <li>• Welsh Government grant assumes that remaining Welsh Government grant funding will be received at current levels.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>• No specific risks have been identified over and above the grant income from the Welsh Government for which inflationary uplifts are not anticipated.</li> <li>• Projected income streams (e.g., asset sales) are not guaranteed.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |



## Appendix 2

### Draft financial levy by local authority

| Authority                      | ONS<br>Population<br>Estimate | 2026/27<br>Budget<br>£ | 2026/27<br>Utilisation of<br>Reserves<br>£ | 2026/27<br>Levy<br>£ | Increase<br>in Levy<br>% |
|--------------------------------|-------------------------------|------------------------|--------------------------------------------|----------------------|--------------------------|
| Anglesey Council               | 69,097                        | 5,389,578              | -26,861                                    | 5,362,717            | 3.41%                    |
| Gwynedd Council                | 120,813                       | 9,423,435              | -46,965                                    | 9,376,470            | 5.13%                    |
| Conwy County Borough Council   | 114,891                       | 8,961,518              | -44,663                                    | 8,916,855            | 4.14%                    |
| Denbighshire County Council    | 98,202                        | 7,659,773              | -38,176                                    | 7,621,598            | 4.82%                    |
| Flintshire County Council      | 155,867                       | 12,157,653             | -60,593                                    | 12,097,061           | 3.74%                    |
| Wrexham County Borough Council | 138,245                       | 10,783,134             | -53,742                                    | 10,729,392           | 5.30%                    |
| <b>Total</b>                   | <b>697,115</b>                | <b>54,375,092</b>      | <b>-271,000</b>                            | <b>54,104,092</b>    | <b>4.47%</b>             |