

Report to	<b>North Wales Fire and Rescue Authority</b>	
Date	<b>19 January 2026</b>	
Lead Officer	<b>Helen MacArthur Assistant Chief Fire Officer</b>	
Contact Officer	<b>Elgan Roberts, Head of Finance and Procurement</b>	
Subject	<b>Provisional Outturn 2025-26</b>	

## **PURPOSE OF REPORT**

- 1 To provide Members with an update on the revenue and capital expenditure forecast for 2025/26, as at 30 November 2025.

## **EXECUTIVE SUMMARY**

- 2 North Wales Fire and Rescue Authority (the Authority) approved a net revenue budget of £51.788m for 2025/26, funded by the constituent local authorities. To maintain this budget cap, a number of non-recurring measures were agreed, including the use of £0.601m from reserves.
- 3 Based on expenditure to 30 November, the revenue expenditure is now forecast to be £51.727m, which is an underspend of £0.061m, which includes costs relating to various projects, national pay settlements and movement to reserves.
- 4 The Authority approved a capital budget of £6.100m for 2025/26 supplemented by £2.589m in rollover funding from prior years. The capital programme is experiencing slippage on schemes and it is anticipated that expenditure will be £6.295m and a requirement to rollover funding of £2.800m.
- 5 Key financial risks continue to be workforce availability, notably overtime, temporary promotions, and sickness-related cost which are driven by operational demand and establishment changes. Inflation and supply-chain pressures affecting both non-pay (utilities, third-party services) and the capital programme and finally interest-rate volatility and refinancing risk on our borrowing. These risks are actively monitored through the Service Finance and Procurement Committee and recorded on the Authority's risk register.

## **RECOMMENDATIONS**

6 Members are asked to:

- i) **note the projected revenue outturn position and the projected capital slippage for the 2025/26 financial year, as detailed within the report;**
- ii) **note the risks associated with the provisional outturn and recognise that the figures forecasted in this report are prudent; and**
- iii) **note the proposed movement to reserves of £0.548m for LGPS pension rebate.**

## **OBSERVATIONS FROM EXECUTIVE PANEL/AUDIT COMMITTEE**

7 This report has not previously been considered by members.

## **BACKGROUND**

8 Each year the Authority is required to set a balanced revenue budget which must be approved by the full Authority. The final budget for 2025/26 was approved by the Authority at its meeting of the 20 January 2025. This confirmed a net revenue budget requirement of £51.788m to be funded by the constituent local authorities.

9 When setting the budget, Members also approved a range of non-recurring measures necessary to achieve financial balance within 2025/26 which included utilising reserves.

10 The capital plan of £6.100m was presented to the Members Budget Scrutiny working group and also approved by the Authority.

11 This budget monitoring report provides information on the draft revenue and capital expenditure outturn position for the 2025/26 financial year.

## **INFORMATION**

### **REVENUE BUDGET**

12 **Pay:** Employee costs represent over 70% of gross expenditure and the 2025/26 staffing budget is £38.233m, including measures taken when setting the budget to contain expenditure within the figure approved. However, it was also noted at that time that the national pay negotiations were ongoing.

13 The budget setting process included an assumption that pay awards for 2025/26 would be 3% for all staff. The outcome of the April 2025 pay award for local government staff was an increase 3.2% with firefighters' pay award also settled at 3.2% from 1 July 2025 onwards.

14 **Non-pay:** The non-pay forecasts account for known costs and any reductions in expenditure. However, uncertainty persists due to the general economic outlook and supply chain challenges.

15 **Income:** Whilst the majority of expenditure is funded from the constituent authority levy, income is received from the Welsh Government for grant funded activities, as well as recharges from other bodies in relation to the use of our premises. In addition, the Authority has benefitted from additional income from secondments and a one-off grant from the Welsh Government to support pay inflation for 2025/26.

16 **Revenue cost of capital:** Capital financing costs include the costs of borrowing and revenue charges for using capital assets. It is anticipated that this budget will be underspent due to the delays in completing capital projects and reduction in MRP following utilisation of CERA (Capital Expenditure charged to Revenue Account).

### REVENUE OUTTURN FORECAST FOR 2025/26

17 At this stage within the financial year there remains a number of uncertainties and risks that may impact on the financial performance of the Authority. It is anticipated that the outturn may range from break-even through to an underspend of £0.7m before transfers to earmarked reserves. However, based on year-to-date expenditure, the most likely full year revenue forecast as at 30 November 2025 is set out below and indicates an underspend of £0.061m.

	Budget (£m)	Forecast (£m)	Variance (£m)	Variance (%)
Employees	38.233	37.615	0.618	1.6%
Premises	2.818	3.093	(0.275)	-9.8%
Transport	1.327	1.489	(0.162)	-12.2%
Supplies	6.182	5.843	0.338	5.5%
Third Party Payments	0.367	0.427	(0.060)	-16.5%
Capital Finance & Charges	4.501	3.853	0.648	14.4%
Income	(1.039)	(1.141)	0.102	-9.8%
Use of Reserves	(0.601)	0.548	(1.149)	191%
<b>Forecast Outturn</b>	<b>51.788</b>	<b>51.727</b>	<b>0.061</b>	<b>0.12%</b>

## EMPLOYEE COSTS

18 Employee costs form a significant element of the budget (over 70% of gross costs) and include pay, pension costs, cost of recruitment and training, and employee services, such as occupational health services.

19 The forecasted underspend of £0.618m on employee costs is primarily due to a pension rebate received from the LGPS, following a surplus in the pension fund. It is proposed that this underspend be transferred to reserves to support future pension-related costs.

20 Action continues to focus on increasing the number of Retained Duty System (RDS) firefighters to address and maintain appliance availability. At the time of setting the 2025/26 budget, there were 474 RDS personnel, and provision was made to increase capacity by a further 15 posts. This reflected the improvements achieved in recent years to strengthen retained capacity and provide essential cover.

21 However, as shown in the table below, this remains a significant challenge, with actual numbers falling below the original budgeted level during the early part of the financial year. Encouragingly, following successful recruitment during November 2025, headcount has increased, alongside a modest improvement in the 100% equivalent measure.

RDS Analysis	Budget 2025/26	Mar-25	Jun-25	Sep-25	Nov-25
Headcount	489	490	487	484	503
100% equivalent	390	367	364	357	366

22 The underspend in the RDS staff budget reflects ongoing recruitment and retention challenges, as well as variances in variable pay elements such as drill fees, training allowances, and activity payments.

23 Recruitment to specialised posts within corporate departments has continued to prove difficult during 2025/26, and a full-year underspend is anticipated.

24 A review of the Fire Safety Department, deferred from 2024/25, resulted in underspends earlier in the year. To meet demand, temporary costs are expected in Quarter 4 to increase team capacity while permanent recruitment progresses.

## NON-PAY COSTS

- 25 The non-pay budget which covers Premises, Transport Supplies, Third Party Payments, and Capital Finance & Charges, is forecast to be underspent by £0.489m.
- 26 Non-pay expenditure is subject to ongoing review by budget holders to ensure that the projections continue to be reasonable and to manage unavoidable costs.
- 27 The premises forecast indicates an overspend driven by several factors. These include the procurement of a new cleaning contract, which incorporates additional cleaning requirements for the nucleus station. Efficiencies will need to be identified to offset these costs in 2026/27, estimated at £0.055m. In addition, £0.047m has been allocated for estate strategy work, which will be funded from reserves if required, and £0.028m for a condition report on mechanical and electrical systems. Further cost pressures have arisen from reactive works exceeding budget, although these have been partially mitigated by reductions in utility costs.
- 28 Following the adoption of IFRS 16, lease costs are now recorded within departmental budgets such as premises or transport to improve visibility of expenditure. For 2025/26, the overall budget for these leases sits under capital financing; therefore, any local overspend within departments is offset against the capital financing budget.
- 29 Third-party payments are exceeding the allocated budget by £60k, primarily due to a higher-than-inflation increase in the Service Level Agreement (SLA) with North Wales Police for the 2025/26 financial year.
- 30 The cost pressures detailed above are being mitigated by underspends in other areas. Planned consultancy projects have either been postponed or delivered at a lower cost following procurement, and ICT and hardware procurement are underspent by £0.053m and £0.039m respectively.
- 31 The forecast for capital finance is currently under budget. This is due to lease costs offsetting departmental overspends and the funding of capital schemes from revenue during 2024/25, which has reduced the minimum revenue provision payable in 2025/26 by £0.276m.

## INCOME

32 In addition to the constituent authority levy, the budget includes anticipated income from fees, charges, and grants. This primarily relates to recharges for shared buildings with other entities and service level agreements with various organisations.

33 Income is forecast to exceed the budget by £0.102m. This overachievement is due to the Authority receiving £0.039m from the sale of vehicles and an additional £0.051m from Welsh Government to help meet the cost of pay awards above the standard 3% assumption. This supplementary funding reflects the 3.2% settlements for both grey and green book staff and provides targeted support for this year's cost pressures.

## CAPITAL PROGRAMME

34 The Authority approved a capital programme totalling £6.100m in January 2025, with an additional £2.589m carried forward from 2024/25 due to delays in delivery.

35 Since the budget was set, Welsh Government grant funding of £0.570m was secured during Quarter 4 of 2024/25. Selected items from the 2025/26 capital plan will be deferred to 2026/27 to allow time for the completion of business cases and to align with anticipated expenditure timelines, given the extended procurement process.

36 As at the end of November, capital expenditure stands at £3.797m. Most schemes are expected to be delivered within the current financial year, with a year-end projection of £6.295m.

37 Due to slippage in the capital programme, a rollover funding request of £2.800m is forecast. Further detail is provided in the accompanying table.

Project Name/Description	Budget £m	Actual £m	Forecast £m	Rollover £m
Fleet	2.392	1.712	1.712	750
Facilities	1.513	427	1.288	614
ICT	232	191	216	0
Tech Ops	469	257	387	0
Reactive works	1.494	731	1.539	0
<b>2025/26 Sub Total</b>	<b>6.100</b>	<b>3.318</b>	<b>5.142</b>	<b>1.364</b>
Rollover Budget	2.589	479	1.153	1.436
<b>Unfinanced Capital Plan 2025/26</b>	<b>8.689</b>	<b>3.797</b>	<b>6.295</b>	<b>2.800</b>
<b>In year Grants</b>				
Facilities - Rhyl	0.648	0.000	0.648	0.000
<b>Financed Capital Plan 2025/26</b>	<b>0.648</b>	<b>0.000</b>	<b>0.648</b>	<b>0.000</b>

38 The anticipated financing of the capital expenditure is set out below:

<b>Funding</b>	<b>Amount £m</b>
Borrowing	5.859
Earmarked Reserves	1.379
Capital expenditure charged to the GF (CERA)	1.451
Grant Funding	0.648
<b>Total</b>	<b>9.337</b>

## IMPLICATIONS

Well-being Objectives	This report links to NWFRA's long-term well-being objectives. Funding for the Service benefits the communities of North Wales and ensures there is sufficient investment in infrastructure to enable the service to provide emergency responses and prevention work well into the future.
Budget	Budget is set annually in accordance with the proposed service delivery which includes emergency response and prevention work.
Legal	The Authority remains compliant with its statutory duty to produce financial reports and maintain a balanced budget.
Staffing	Effective financial management supports the long-term workforce strategy to ensure that the Authority is able to discharge its responsibilities
Equalities/Human Rights/Welsh Language	None
Risks	Income and expenditure is closely monitored to ensure that deviations from the approved budget are properly identified and reported to Members.