

Report to	North Wales Fire and Rescue Authority
Date	20 October 2025
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Subject	The Authority's 2025/26 Budget Review



PURPOSE OF REPORT

- 1 To provide Members with an update on the revenue and capital expenditure forecast for 2025/26, as at 30 September 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 A capital budget of £6.100m was also approved for 2025/26, supplemented by £2.589m in rollover funding from previous years.
- 4 Based on expenditure to 30 September 2025, the revenue forecast indicates an underspend of £0.248m, subject to operational activity levels.
- 5 The capital programme is experiencing delays due to the deferral of items to future years and slippage within projects. The projected year-end expenditure is £6.506m, with a forecast requirement to roll over £2.734m into 2026/27.
- 6 Key financial risks continue to be inflationary pressures, supply chain disruption, and interest rate volatility. These are actively monitored through the Finance and Procurement Committee and reflected in the Authority's risk register.

RECOMMENDATIONS

7 Members are asked to:

- i) **Note the projected revenue and capital variances for 2025/26 financial year, as detailed within the report; and**
- ii) **Note the financial risks where the nature of figures forecasted in this report are prudent.**

OBSERVATIONS FROM EXECUTIVE PANEL/AUDIT COMMITTEE

8 This report has not previously been considered by Members.

BACKGROUND

- 9 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 20 January 2025. This confirmed a net revenue budget requirement of £51.788m to be funded by the constituent local authorities.
- 10 When setting the budget, Members also approved a range of non-recurring measures necessary to achieve financial balance within 2025/26 which included utilising £0.601m of reserves.
- 11 The capital plan of £6.100m, was presented to the Budget Scrutiny working group and approved by the Authority at its meeting of the 20 January 2025. The Capital Strategy for the period April 2024 to March 2034 was approved at Audit Committee in March 2024 and ratified by the Authority at its meeting of the 15 April 2024.
- 12 This budget monitoring report provides information on the draft revenue and capital expenditure outturn position for the 2025/26 financial year.

INFORMATION

REVENUE BUDGET

- 13 **Pay:** Employee costs represent over 70% of the Authority's gross expenditure. The approved staffing budget for 2025/26 is £38,233m, which includes measures to contain costs within the agreed envelope. At the time of budget setting, national pay negotiations were still ongoing.

- 14 The budget assumed a 3% pay award for all staff. Following national settlements, the final pay awards were confirmed at 3.2% for both Green Book (from 1 April 2025) and Grey Book staff (from 1 July 2025). This has resulted in a modest cost pressure of £0.055m, which will be managed in-year through identified savings and budget adjustments.
- 15 **Non-pay:** The non-pay forecasts account for known costs and any reductions in expenditure. However, uncertainty persists due to the general economic outlook, potential inflationary pressures, and supply chain challenges arising from global circumstances.
- 16 **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.
- 17 **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 for 2024/25 delaying costs to future years.

REVENUE OUTTURN FORECAST FOR 2025/26

- 18 At this stage within the financial year there are 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 £1.4m before transfers to earmarked reserves. However, based on year-to-date expenditure, the most likely full year revenue forecast as at 30 September 2025 is set out below and indicates an underspend of £0.248m.

	Budget (£m)	Forecast (£m)	Variance (£m)	Variance (%)
Employees	38,233	37,622	611	2%
Premises	2,818	3,093	(274)	-10%
Transport	1,327	1,378	(51)	-4%
Supplies	6,182	6,011	171	3%
Third Party Payments	367	427	(60)	-16%
Capital Finance	4,501	4,149	352	8%
Income	(1,039)	(1,140)	101	-10%
Use of Reserves	(601)	0	(601)	100%
Forecast Outturn	51,788	51,540	248	0.5%

- 19 Further uncertainty exists in relation to the need for additional borrowing and the refinancing of loans in late 2025, as well as the option to increase reserves for future expenditure.

EMPLOYEE COSTS

- 20 Employee costs form a significant element of North Wales Fire and Rescue Service's (the Service) budget, accounting for over 70% of gross expenditure. This includes pay, pension costs, cost of recruitment and training, and employee services, such as occupational health services.
- 21 Action continues to be taken to strengthen the availability of retained duty (RDS) firefighters across the Service. As part of the 2025/26 budget setting, the Authority approved an uplift of 15 RDS personnel, increasing the budgeted headcount to 489 at a cost of £0.266m. Following a successful recruitment campaign, actual headcount has improved compared to 2024/25 and is now broadly aligned with the budgeted target.
- 22 However, total hours available remain below expectations due to a higher proportion of RDS working reduced hours. This continues to impact overall availability. The table below outlines monthly RDS headcount and 100% equivalent figures from May to September 2025:

RDS Analysis	Budget 2025/26	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Headcount	489	485	487	492	485	484
100% equivalent	391	362	364	366	361	357

- 23 The underspend within the RDS budget reflects ongoing recruitment and retention challenges, as well as fluctuations in variable pay elements such as drill fees and training allowances. This underspend is partially offset by higher-than-usual activity fees, driven by a 15%.7 increase in incident over Quarter 1 and 2 for 2025/26 compared to the same period last year.
- 24 There has been a higher-than-anticipated number of retirements among wholetime operational staff, resulting in a consistent shortfall of at least four Full Time Equivalent (FTE) vacancies per month, peaking at 12 FTE in August 2025. Recruitment measures are underway, but an underspend is expected. To maintain operational capacity and deliver essential training, overtime has been utilised.

- 25 Difficulties in recruiting to specialist roles within corporate departments have persisted throughout 2025/26. A full-year underspend is anticipated in these areas.
- 26 The overall forecast expenditure for employee cost is £37.114m, which is an underspend of £0.611m.

NON-PAY COSTS AND INCOME

- 27 The non-pay budget which covers Premises, Transport Supplies, Third Party Payments, and Capital Finance and Charges, is forecast to be overspent by £0.214m.
- 28 The most notable cost pressures are within Third Party Payments and Premises. A net pressure of £0.186m is forecast by year-end, adjusted to reflect underspends within capital financing. This pressure is primarily driven by one-off expenditure associated with surveys and condition reports, as well as an increase in the facilities Service Level Agreement (SLA) with North Wales Police for the 2025/26 financial year. These works are essential to inform and enable future estate planning and capital investment decisions.
- 29 An overspend of £0.051m is anticipated within the Transport budget, largely driven by above-inflation increases in vehicle insurance costs.
- 30 There remains cautious optimism that the supplies budget will deliver an underspend by year-end. This includes both recurrent savings and one-off savings resulting from delays to planned works. These savings have enabled the Service to absorb the ongoing costs arising from the external cultural review within existing financial resources, should no external funding be received by year-end.
- 31 Due to delays in the capital programme over recent years, and the use of Capital Expenditure from Revenue Account (CERA) to fund capital projects, capital financing costs have reduced. As a result, an underspend is anticipated in this area. Scrutiny of the capital programme continues to ensure that schemes are delivered within the required timeframes.
- 32 Non-pay expenditure remains subject to ongoing review by budget holders to ensure projections remain reasonable and that unavoidable costs are managed effectively. A more refined forecast will be presented at the end of Quarter 3, providing greater accuracy and assurance.

- 33 In addition to the constituent authority levy, the budget includes anticipated income from fees, charges, and grants. This income is primarily derived from recharges for shared buildings with partner organisations and service level agreements with external bodies.
- 34 Securing external grants and funding for both capital and revenue schemes remains a strategic priority. Where applicable, recharges are passed on to other organisations during the financial year. Income is currently forecast to exceed the budget by £0.101m, driven by additional income recognised from the sale of vehicles and grant awards received.

CAPITAL PROGRAMME

- 35 The Authority approved a capital programme totalling £6.100m in January 2025. An additional £2.589m was carried forward from 2024/25 due to delays in delivery.
- 36 Since the budget was set, Welsh Government grant funding of £0.570m was secured by the Service during Quarter 4 of 2024/25. Selected items from the 2025/26 capital plan will be deferred to 2026/27 to allow for the completion of business cases and to align with anticipated expenditure timelines, given the extended procurement process.
- 37 As at the end of September, capital expenditure stands at £0.977m. Most schemes are expected to be delivered within the current financial year, with a year-end projection of £5.858m.
- 38 Due to slippage in the capital programme, a rollover funding request of £2.734m is forecast. Further detail is provided in the accompanying table.

Department	Budget £'000	Actual £'000	Forecast £'000	Rollover £'000
Fleet	2.392	0.284	1.718	0.750
Facilities	1.513	0.332	1.603	0.000
ICT	0.232	0.000	0.217	0.000
Tech Ops	0.395	0.000	0.322	0.000
Deferred	1.568	0.000	0.000	1.568
Sub Total	6.100	0.616	3.859	2.318
Rollover from prior year(s)				
Fleet	0.037	0.000	0.037	0.000
Facilities	1.092	0.275	0.959	0.000
ICT	0.160	0.000	0.160	0.000
Tech Ops	0.850	0.000	0.733	0.125
Environment	0.450	0.086	0.109	0.291
Sub Total	2.589	0.361	1.998	0.416
Unfinanced Capital Plan 2025/26	8.689	0.977	5.858	2.734
In year Grants				
Facilities - Rhyl	0.648	0.000	0.648	0.000
Financed Capital Plan 2025/26	0.648	0.000	0.648	0.000

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

Funding	Amount £'m
Borrowing	7.314
Earmarked Reserves	1.375
Grant Funding	0.648
Total	9.337

BORROWING

- 40 Capital expenditure is primarily funded through external borrowing. However, in the short term, the Authority continues to utilise surplus revenue cash, referred to as internal borrowing, to reduce financing costs and generate revenue savings.
- 41 Internal borrowing enables the Authority to temporarily fund capital investment without immediately drawing down external loan debt. This approach leverages available cash reserves, balances, and positive cash flow to support capital delivery while deferring interest costs.

- 42 As reserves are utilised, the need to transition from internal to external borrowing increases. Total borrowing outstanding as at 30 September 2025 was £15.319m, compared to £19.073m at 31 March 2025. Further external borrowing is anticipated as the capital programme progresses, and internal resources are depleted.
- 43 The Authority continues to monitor its borrowing strategy closely to ensure affordability, compliance with prudential indicators, and alignment with the approved Capital Financing Requirement (CFR).

PRUDENTIAL INDICATORS – Q2 2025/26

- 44 The Authority measures and manages its capital expenditure and borrowing with references to the following indicators. It is now a requirement of the CIPFA Prudential Code that these are reported throughout the financial year. The indicators are calculated based on the information in the 2024/25 Capital Strategy, that was approved by the Authority at its meeting in March 2024.

Capital Expenditure

- 45 The Authority has undertaken and is planning capital expenditure as summarised below:

	2025/26 actual £m	2026/27 forecast £m	2027/28 budget £m
Capital programme	6.100	4.039	7.178

- 46 Further details of the capital projects to date are detailed within the Capital Programme section of this report.

Capital Financing Requirement

- 47 The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt.

	2024/25* actual £m	2025/26 actual £m	2026/27 forecast £m	2027/28 forecast £m
Capital financing requirement	31.0	35.1	38.4	44.4

*Excludes costs associated with purchasing of land.

Gross Debt and the Capital Financing Requirement

- 48 Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Authority has complied and expects to continue to comply with this requirement in the medium term as is shown below.

	2024/25 actual £m	2025/26 actual £m	2026/27 budget £m	2027/28 budget £m
Debt (incl. Finance Leases)	19.073	15.319	28.508	30.234
Capital Financing Requirement	31.0	35.1	38.4	44.4

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 in to 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.