

Report to	North Wales Fire and Rescue Authority
Date	20 October 2025
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Subject	Budget Setting 2026/27



PURPOSE OF REPORT

- 1 To present Members with the planning assumptions, strategic developments, and timescales underpinning the 2026/27 revenue budget setting process for North Wales Fire and Rescue Authority (the Authority).

EXECUTIVE SUMMARY

- 2 The Authority is required to approve a balanced revenue budget for 2026/27 at its meeting on 19 January 2026. This report outlines the planning assumptions, strategic priorities, and risks influencing the budget, including developments in crewing models, duty systems, and capital investment in training infrastructure.

OBSERVATIONS FROM OTHER COMMITTEES

- 3 The budget setting process is subject to Member scrutiny through the Budget Scrutiny Working Group. This is a subgroup of the Audit Committee with representation from each constituent local authority. The Budget Scrutiny Working Group has a forward work programme and aims to meet on up to six occasions between July and December 2025.

RECOMMENDATIONS

- 4 Members are asked to:
 - i) **Note the planning assumptions and strategic developments informing the 2026/27 budget;**
 - ii) **Note the remit of the Budget Scrutiny Working Group established by the Audit Committee and the proposed reporting timetable;**
 - iii) **Note the proposal to provide initial budget estimates to the Audit Committee and Executive Panel at its meeting of 15 December 2025; and**
 - IV) **Note the proposal to seek approval for the 2026/27 revenue budget by the Authority at its meeting of 19 January 2026.**

BACKGROUND

- 5 The Authority is required to set a balanced revenue budget annually, approved by the full Authority. While “balanced” is not formally defined in legislation, CIPFA guidance emphasises the need for financial plans that demonstrate how expenditure will be funded over the short and medium term.
- 6 Financial sustainability depends on a clear understanding of the costs of delivering organisational objectives, alongside the evaluation of risks, service demands, available resources, and the Authority’s strategic vision.
- 7 The Chief Fire Officer’s 2021 report identified key challenges: maintaining on-call crew availability, ensuring sufficient resources for firefighter training, and building corporate capacity to meet current and future demands.
- 8 In response, the Authority undertook an Emergency Cover Review (ECR) in 2023/24, exploring options to improve daytime availability in rural areas. Following public consultation, Members supported retaining current operational capacity without changes to duty systems or retained station numbers, while recognising the need for further work to address rural challenges.
- 9 As a result, North Wales Fire and Rescue Service (the Service) is piloting nucleus crewing and revised shift patterns to improve daytime cover and operational flexibility. These changes are being developed collaboratively with staff and representative bodies.
- 10 The Chief Fire and Rescue Adviser for Wales (CFRAIW), Dan Stephens, published an inspection report in July 2025. The recommendations broadly map across three categories: the need to implement the CFRAIW previous thematic review recommendations, North Wales FRS’s need to review its operational guidance and training programmes in relation to responding to dwelling fires, and its need to review its Operational Assurances policy and processes.
- 11 The Training Centre project remains a strategic priority. A revised RIBA Gateway 4 target of April 2027 has been set, with capital provision included in the 2026/27 budget for planning and design costs, as approved at the Authority meeting on 20 December 2024.

- 12 Sector-specific risks persist, including health and safety concerns around contamination and training adequacy, highlighted by the Grenfell inquiry. The sector is also experiencing increased activity which is being driven by wildfires arising from weather conditions.
- 13 Like other public sector bodies, the Authority faces financial pressures from inflation in key areas such as insurance, software and rising interest rates affecting borrowing and loan refinancing.

INFORMATION

- 14 The 2026/27 budget setting process is underpinned by the outcome of the 2023/24 Emergency Cover Review and Collective Agreement Implementation Group, which is a cost neutral option by having nucleus crewing at Porthmadog and Dolgellau station to provide daytime cover at these locations.
- 15 The budget setting process is subject to Member oversight and scrutiny through the Budget Scrutiny Working Group. With Members representing each local authority, the working group is scheduled to meet on six occasions between July and December 2025.
- 16 A review will take place in respect of payroll, non-pay and capital financing costs to provide members with a greater understanding and an opportunity to provide scrutiny and challenge. This work will be reported to the Audit Committee at its December meeting and will inform the budget setting process.
- 17 The planning work will also consider the Authority's capital requirement over the medium-term planning cycle. This will consider the financial assessment and affordability of future plans including costs associated with the Training Centre project.
- 18 The initial planning assessment and draft budget for 2026/27 will be presented to the Audit Committee and Executive Panel at their meetings on 15 December 2025.
- 19 The 2026/27 draft budget will be prepared and considered for approval by the Authority at its meeting on 19 January 2025.

IMPLICATIONS

Well-being Objectives	The budget setting process supports the Authority's Improvement and Well-being Objectives by ensuring financial sustainability and respond to evolving community risks in line with the Well-being of Future Generations (Wales) Act.
Budget	The budget setting process is likely to result in an increase in the levy.
Legal	The Authority has a legal duty to set a balanced budget based on realistic and evidence-based assumptions.
Staffing	Over 70% of expenditure relates to staff costs and therefore is a material factor when considering future financial stability.
Equalities/Human Rights/Welsh Language	These issues will be factored into budget setting proposals.
Risks	The key risks and uncertainties to the 2026/27 budget have been outlined in Appendix 1.

Appendix 1 -Summary of planning assumptions and risks

Heading	Planning assumptions used in budget setting	Risks/Uncertainties
Employee costs	• The staffing budgets will be formulated on existing service delivery models and reflective of the decision of the outcome of the Fire and Rescue Authority's Emergency Cover Review in December 2023 and the recommendations contained within the Chief Fire Advisor for Wales' thematic review. • RDS staff budgets have been based on July 2025 headcount with provision for growth in RDS numbers of 15 during 2026/27. Budgeting for the full required establishment would result in an additional cost of approximately £3 million. • The initial planning assessment for pay awards for 2026/27 is an increase of 3.5% for all staff groups. • Employers pension contribution rate unchanged.	• The National Joint Council (NJC) has not yet reached agreement on the firefighter pay award for 2026/27. • The National Joint Council (NJC) for Local Government Services has not yet reached agreement on the pay award for staff on LGPS contracts for 2026/27. • The budget planning assumes normal levels of activity. If spate conditions occur budget pressures will be experienced. The working assumption is that the General Fund would be utilised in the first instance.

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Non-Pay	• The initial planning assessment has confirmed that the non-pay budgets will be formulated on existing service delivery models. • The demands on the non-pay budget are further exacerbated by the inflationary impact inherent within existing and future contracts and supply chain issues in a number of business-critical areas. These include the supply of firefighting kit and the sourcing of replacement parts for operational vehicles. • 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. • Budgets have been formulated by each relevant Head of Department based on their knowledge and professional judgement of expenditure necessary to achieve corporate objectives. This includes a review of underlying contractual obligations and estimates of activity. New requests for funding over £10,000 are subject to a business case which is subject to scrutiny.	• 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. • 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. • The cost of gas and electricity has been a known cost pressure since 2022/23 due to global price rises. 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.

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Capital Financing	• The capital financing requirement for 2026/27 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. • 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. • 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.	• 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 will be undertaken to assess the affordability of all proposals during the budget setting process. • 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.

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Income	- Income budgets have been reviewed and set in line with previous years, subject to inflationary increases as dictated through our SLAs. - Welsh Government grant income reduced significantly in recent years, and the budget setting will assume that remaining Welsh Government grant funding will be received at 2025/26 levels.	No specific risks have been identified over and above the grant income from the Welsh Government for which inflationary uplifts are not anticipated.