Mae'r ddogfen yma ar gael yn Gymraeg **Agenda Item 10**

Report to	**North Wales Fire and Rescue Authority**
Date	**21 September 2026**
Lead Officer	**Helen MacArthur, Assistant Chief Fire Officer**
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Subject	**Budget Setting 2027/28**

PURPOSE OF REPORT

1 To present Members with the planning assumptions, emerging budget pressures, strategic developments, consultation requirements and timescales underpinning the 2027/28 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 2027/28. This report outlines the initial planning assumptions, emerging budget pressures, strategic priorities, risks and uncertainties that will inform the budget-setting process.

3 The financial assessment remains at an early stage and will be refined following detailed reviews of employee costs, non-pay expenditure, income, capital financing and departmental business cases. Particular areas of uncertainty include pay reform, employer pension contribution rates, borrowing costs, grant income, the revenue and capital implications of Hwb Awen, estate investment requirements, and changes in operational and regulatory demand.

4 The budget-setting process will be subject to Member scrutiny through the Budget Scrutiny Working Group. Following consideration by the Audit Committee and Executive Panel, the proposed budget requirement will be subject to formal consultation. Consultation responses will be considered before the Authority determines the final budget and levy for 2027/28.

RECOMMENDATIONS

5 It is recommended that Members:

i) Note the assumptions informing the 2027/28 budget;
ii) Note the remit of the Budget Scrutiny Working Group; and
iii) Note the timescales and consultation requirements.

BACKGROUND

6 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.

7 Financial sustainability depends on a clear understanding of the cost of delivering organisational objectives, alongside a realistic assessment of service demand, risks, available resources, capital investment and the Authority's strategic priorities.

8 The 2027/28 planning process builds on the outcome of the Emergency Cover Review and subsequent work on crewing and operational availability. Existing service delivery models remain the starting point for budget planning, subject to any decisions taken through the Authority's governance arrangements.

9 The Service is also progressing substantial strategic and operational work, including the development of Hwb Awen, the transition of facilities management services from North Wales Police, estate condition and decarbonisation requirements, and actions arising from external review and operational assurance activity.

10 The financial environment remains uncertain. Pay represents the largest element of expenditure, while non-pay budgets continue to be affected by contractual inflation, insurance, software, energy, equipment and supply-chain pressures. Borrowing and refinancing costs also remain a significant consideration for the capital programme.

11 The Authority must also comply with new statutory requirements to consult its constituent local authorities as part of the budget-setting process. This represents a significant change to the process and requires meaningful consultation to be completed, and the responses considered, before final decisions on the Authority's net expenditure requirement and levy are made.

INFORMATION

12 The 2027/28 budget-setting process is informed by the outcome of the 2023/24 Emergency Cover Review and the work of the Collective Agreement Implementation Group. The current planning assumption reflects the continuation of nucleus crewing at Porthmadog and Dolgellau to provide daytime cover. The financial implications of the agreed arrangements will be reflected within the detailed employee budget.

13 The budget-setting process is subject to Member oversight and scrutiny through the Budget Scrutiny Working Group. The Working Group includes representation from each constituent local authority and is scheduled to meet on five occasions between August and December 2026.

14 Detailed reviews of employee costs, non-pay expenditure, income and capital financing will be undertaken to support Member understanding, scrutiny and challenge. The outcome of this work will inform the proposed budget requirement presented to the Audit Committee and Executive Panel in December 2026.

15 The planning process will also consider the Authority's capital requirements over the medium-term planning period, including the affordability and financing of the capital programme. A dedicated Budget Scrutiny Working Group session will be held in September to consider the emerging capital and revenue implications of the Hwb Awen Training Centre project.

16 The initial planning assessment and proposed budget requirement for 2027/28 will be presented to the Audit Committee and Executive Panel at their meetings on 14 December 2026. Members will be asked to approve the proposed budget requirement for formal consultation with the six constituent local authorities.

17 Following approval to consult, the Authority will undertake a formal consultation process with the six constituent local authorities. The consultation will set out the proposed net expenditure requirement, levy implications, alignment with the Community Risk Management Plan, and the supporting financial narrative. The consultation will provide constituent local authorities with an opportunity to submit meaningful written feedback within the budget-setting timetable.

18 The final budget proposals for 2027/28, together with a summary of the consultation responses and any proposed amendments arising from that feedback, will be presented to the Authority for consideration and approval at its meeting on 18 January 2027.

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 2027/28 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	• Existing service delivery models are the starting point, subject to decisions through the Authority's governance arrangements • RDS staff budgets have been based on July 2026 headcount with provision for growth in RDS numbers of 15 during 2027/28. Retained staff headcount has increased by 52 over last 12 months, creating an estimated pressure before pay awards, of approximately £500k.Budgeting for the full required establishment would result in an additional cost of approximately £3 million. • The initial planning assessment for pay awards for 2027/28 is an increase of 4% for all staff groups. • No change in employer pension contribution rates is currently included.	• National agreement was reached in 2026/27 for staff conditioned to the grey book and this included a commitment to progress the pay modernisation agenda. This work is ongoing nationally and the outcome and timing is currently unknown although it may differ from the planning assumption. • Employer pension rates for the firefighter's pension scheme may change following the 2024 GAD valuation which will report in autumn 2026.

Heading	Planning assumptions used in budget setting	Risks/Uncertainties
Non-Pay	• Budgets will be based on existing service delivery models and the four-year financial plan. • 3% inflation is assumed for 2027/28, reducing to 2% in later years. • 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 licenses associated with software including business critical systems and insurance cost. • Additional non-pay cost around decision to progress or not with Hwb Awen. • Following the significant activity arising from the adverse weather conditions, work is ongoing nationally to consider the future approach and actions necessary. No budget provision is currently being made as this work is in its early stages.

Heading	Planning assumptions used in budget setting	Risks/Uncertainties
Capital Financing	• The capital financing requirement for 2027/28 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 2027/28 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 5% (4.6% for 2026/27). 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.	• The increase in interest rates in recent years is a key risk area and is exacerbated due to the capital expenditure profiled in the MTRS. 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. • Estate backlog and decarbonisation requirements remain subject to prioritisation, cost validation and funding decisions.
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.

Heading	Planning assumptions used in budget setting	Risks/Uncertainties
Other	• The budget assumes normal levels of activity unless a specific pressure is evidenced and approved. • Known operational and regulatory developments will be assessed through departmental submissions and business cases. • £130k is included for two previously approved Technical Operations Crew Manager posts deferred following the CFRAIW review.	• Following the significant activity arising from the adverse weather conditions, work is ongoing nationally to consider the future approach and actions necessary. The outcome of this may increase operational, staffing, fleet and equipment costs. No budget provision has yet been made as this work is in its early stages. • Potential regulatory change affecting buildings between 11 and 18 metres may require additional staffing, training and operational activity. The early assessment has included an estimated additional unavoidable cost of approximately £0.5m. No budget provision has yet been made.