

Report to	North Wales Fire and Rescue Authority
Date	20 April 2026
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Subject	Provisional Outturn 2025-26



PURPOSE OF REPORT

- 1 To provide Members with an update on the revenue and capital expenditure forecast for 2025/26, as at 31 March 2026.

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 31 March, the revenue expenditure is now forecast to be £51.654m, which is an underspend of £0.134m, 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 £5.009 m and a requirement to rollover funding of £4.625m.
- 5 During the 2025/26 financial year key financial risks were managed including 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 continue to be 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) **Approve the movement to/from earmarked and general fund reserves.**

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 are based on known commitments and expenditure at this stage. As the year-end position is finalised, the forecasts remain subject to change.
- 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 The report is projecting an underspend of £0.134m, which equates to 0.3% of the budget. The breakdown is detailed below.

	Budget (£m)	Forecast (£m)	Variance (£m)	Variance (%)
Employees	38.233	37.447	0.786	2.1%
Premises	2.818	3.338	(0.520)	-18.4%
Transport	1.327	1.663	(0.336)	-25.3%
Supplies	6.182	5.750	0.432	7.0%
Third Party Payments	0.367	0.449	(0.083)	-22.6%
Capital Finance & Charges	4.501	4.224	0.277	6.1%
Income	(1.039)	(1.217)	0.178	-17.1%
Use of Reserves	(0.601)	(0.000)	(0.601)	100.0%
Forecast Outturn	51.788	51.654	0.134	0.3%

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. An underspend of £0.786m is forecasted for 2025/26.

- 19 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.
- 20 However, as shown in the table below, this remains a significant challenge. Following a dip in headcount over the summer months, numbers have increased later in the year, reflecting successful recruitment. Notwithstanding this improvement, the 100% equivalent measure, which reflects contracted hours, remains significantly below the original budgeted level and has shown a slight decline over the course of the year.

RDS Analysis	Budget 2025/26	Mar-25	Jun-25	Sep-25	Nov-25	Mar-26
Headcount	489	490	487	484	503	502
100% equivalent	390	367	364	357	366	363

- 21 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.
- 22 Within the wholetime operational staff group, similar to RDS, there was a reduction in establishment over the summer months. This was followed by a successful wholetime recruitment campaign commencing in September 2025, and a further 12 RDS to WDS conversion course.

WDS Analysis	Budget 2025/26	Mar-25	Jun-25	Sep-25	Nov-25	Mar-26
Headcount	208	209	202	204	216	210

- 23 Quarter 3 also saw nucleus crewing progress to pilot and live implementation in quarter four, providing daytime cover at Dolgellau and Porthmadog within the existing budget. Since going live, nucleus crewing has already helped to improve rural availability, supporting more resilient crewing arrangements and reducing reliance on short notice abstractions in harder to staff locations.

- 24 Recruitment to specialised posts within corporate departments has continued to prove difficult during 2025/26, and a full-year underspend is anticipated. In response, apprentices are increasingly being used to fill posts, supporting longer-term succession planning.

NON-PAY COSTS

- 25 The non-pay budget which covers Premises, Transport Supplies, Third Party Payments, and Capital Finance & Charges, is forecast to be overspent by (£0.230m).
- 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 of (£0.520m) driven by several factors. These include (£0.300m) for leases detailed in paragraph 28, (£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 (£0.083m), 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 supplies due to efficiencies of £0.168m, and a delay in migration of key systems in control from on premises to the cloud which is anticipated to occur in 2026/27 at a cost of £0.242m.
- 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 £0.277m.

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 £0.178m. This overachievement is due to the Authority receiving £0.084m from the sale of vehicles, higher levels of income than anticipate for apprenticeship delivery with Coleg Llandrillo, 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 of £6.100m for 2025/26, with a further £2.589m carried forward from prior years due to delivery slippage. As at the end of March, total capital expenditure stands at £5.009m against the overall unfinanced capital plan of £8.689m.
- 35 During the year, a number of planned schemes have been deferred, including works associated with the new FOB access control system and the decarbonisation project at Rhyl. The Rhyl scheme had been expected to be delivered during the year and was supported by £0.648m of potential grant funding allocated by Welsh Government. However, due to increasing costs and tender prices received, the project has been paused and will be reassessed during 2026/27 to ensure that a suitable heating and hot water solution is implemented that delivers value for money.
- 36 As a result of programme slippage, rollover funding of £4.625m is forecast into 2026/27, principally relating to deferred schemes, Facilities projects and the procurement of appliances. Significant Facilities expenditure is expected to be incurred during Quarter 1 of 2026/27, including station works at Dolgellau, Porthmadog and Bangor, construction of training towers at Llangefni and Denbigh, and roofing works at Colwyn Bay and Flint.

Department	Budget £m	Actual £m	Rollover £m
Fleet	2.392	1.792	0.764
Facilities	1.385	0.452	0.806
ICT	0.232	0.180	0.171
Tech Ops	0.395	0.317	0.000
Environemnt	0.080	0.066	0.012
Deferred	1.616	0.000	1.616
Sub Total	6.100	2.806	3.368
Rollover from prior year(s)			
Fleet	0.037	0.037	0.000
Facilities	1.092	0.449	0.310
ICT	0.000	0.160	0.000
Tech Ops	0.850	0.182	0.432
Environemnt	0.610	0.120	0.514
Sub Total	2.589	0.949	1.256
Unfinanced Capital Plan 2025/26	8.689	3.755	4.625
Grants			
Facilites - Rhyl	0.648	0.058	0.000
Financed Capital Plan 2025/26	0.648	0.058	0.000
Hwb Awen	0.000	1.253	0.000

37 The capital programme is funded through a combination of borrowing £3.397m, CERA £1.450m and grant funding £0.162m. Further detail is set out in the accompanying table.

Funding	Amount £m
Borrowing	3.397
Capital expenditure charged to the GF (CERA)	1.450
Grant Funding	0.162
Total	5.009

BORROWING

38 Capital expenditure is predominantly funded via external borrowing, but in the short term, the Authority utilises surplus revenue cash, known as internal borrowing.

39 The Authority continues to utilise internal borrowing where this is possible on a temporary basis. This means that the capital borrowing needed, as calculated by the Capital Financing Requirement (CFR), has not been fully funded with external loan debt as cash supporting the Authority's reserves, balances, and cash flow has been used as a temporary expedient mechanism to fund capital spend and generate revenue savings. However, as reserves are utilised, it becomes necessary to replace the internal borrowing with external borrowing.

40 In March 2026, the Authority secured a new £2 million short-term local authority loan at an interest rate of 6.35%, with repayment scheduled for April 2026. This loan was arranged to meet immediate cash flow needs until anticipated income is received in April 2026. Although commercial loans or loans from the PWLB had lower interest rates, they required longer repayment terms, which would have resulted in higher overall costs.

USE OF THE GENERAL FUND AND EARMARKED RESERVES

41 The aim of the Authority's financial reserves is to provide funding for investment in future activities and to act as a safety net in case of short-term financial challenges arising from activity demands or unforeseen pressures, such as spare conditions and wildfires.

42 The Authority currently had earmarked reserves of £8.938m as of 1 April 2025, which have been built up in recent years due to slippage in recruitment and delivery of projects. In addition, there are reserves set up to fund interest rate rises, increases in inflation, system improvements, and service improvements.

43 The provisional outturn assumes that earmarked reserves will not be utilised in the year. The following have been moved to reserves either due to uncertainty over future liability or to cover one-off costs that were not completed during 2025/26:

	Budget (£m)	Forecast (£m)
Use of Reserves	(0.601)	
• N/A		0.000
Movement to Reserves:	0.000	
• Pension		0.548
• Trucks Cartel		0.134
Total	(0.601)	0.659

Table 3: Movement to and from reserves

*The figures included in table 3 are indicative numbers that will be refined during the year end processes.

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.