


Report to	<b>Executive Panel</b>	
Date	<b>16 December 2024</b>	
Lead Officer	<b>Helen MacArthur, Assistant Chief Fire Officer</b>	
Contact Officer	<b>Elgan Roberts, Head of Finance and Procurement</b>	
Subject	<b>Budget Setting 2025-26</b>	

### **PURPOSE OF REPORT**

- 1 The purpose of this report is to provide Members with an update on the current financial planning assessment to set a balanced budget for 2025/26, and to seek endorsement to confirm the indicative levy with constituent local authorities.

### **EXECUTIVE SUMMARY**

- 2 North Wales Fire and Rescue Authority (the Authority) is required to provide indicative figures for the 2025/26 financial levy to constituent local authorities by 31 December 2024, and confirm the final figures by 15 February 2025. To achieve this, the Authority will consider the revenue and capital budget for 2025/26 at its meeting on 20 January 2025. The budget planning process has been subject to scrutiny by the Budget Scrutiny Working Group and the current planning assessment of £52.389m has been confirmed

### **RECOMMENDATIONS**

- 3 It is recommended that Members:
  - i) Note the findings of the Budget Scrutiny Working Group, including the planning assumptions being used to develop the revenue budget for 2025/26;
  - ii) Note the current financial planning assessment of a budget requirement of £52.389m for 2025/26;
  - iii) Note the proposal to utilise £0.601m of reserves for 2025/26; and
  - iv) Endorse the communication of the draft financial levy of £51.788m from the constituent local authorities.

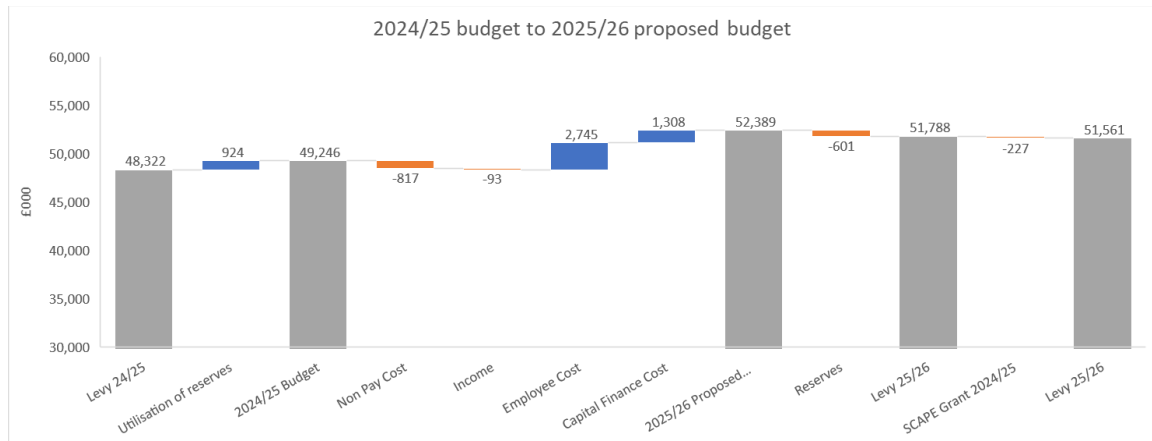
## BACKGROUND

- 4 Each year the Authority is required to set a balanced revenue budget which must be approved by the full Authority. The indicative financial levy must be communicated to constituent local authorities by the 31 December each year and the final levy confirmed by the 15 of February before the commencement of the financial year. To achieve these timescales, the 2025/26 proposed revenue and capital budgets will be presented to the Authority at its meeting on 20 January 2025.
- 5 The Chartered Institute of Public Finance (CIPFA) requires that organisations have financial plans which demonstrate how expenditure will be funded over the short and medium term. The Authority's financial sustainability is, therefore, underpinned by knowledge and understanding of the key cost drivers and evaluation of risks and uncertainties.
- 6 Following the ECR consultation conducted during 2023/24 and in line with the Authority's decision in December 2023, the budget proposals are based on maintaining the existing service delivery model. The work around proposals to improve rural availability is ongoing and outside of the scope of this budget setting paper.
- 7 The process has been overseen by the Budget Scrutiny Working Group (the Group) which was established to provide scrutiny of the budget setting process, including all areas of income and expenditure. With membership from each local authority, the Group has met on 5 occasions between June and November 2024, with a further meeting scheduled for the 12 December.

## INFORMATION

- 8 The Group was established by the Authority with representation from each constituent local authority. It has convened on five occasions to review all aspects of the North Wales Fire and Rescue Service's (the Service) expenditure. These meetings focused on key areas, including direct pay costs, non-pay expenditure, capital financing, interest, and lease arrangements.
- 9 Detailed budget planning has been conducted in line with the key planning assumptions, risks, and uncertainties outlined in [Appendix 1](#).
- 10 The initial planning assessment indicated that a budget increase exceeding 10% would be required for the 2025/26 financial year. This included a new cost pressure of £1.009m arising from the nationally agreed increase to the retaining fee for RDS personnel. This was made prior to the Autumn Statement and, therefore, did not account for potential changes to employers' national insurance contributions, which were unknown at the time.

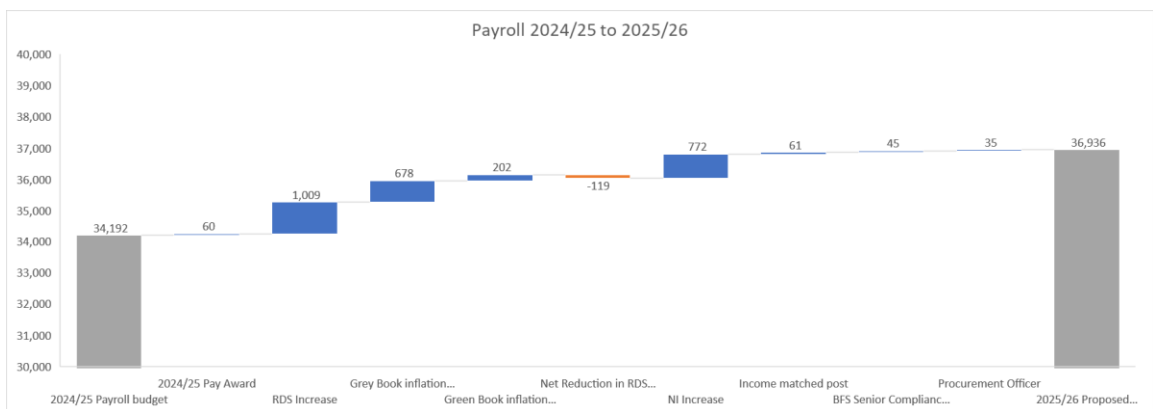
- 11 The initial detailed budget planning identified additional unavoidable pressures, which have since been addressed through the efforts of the Group. The final draft assessment establishes a budget requirement of £52.389m. After utilising £0.601m from reserves, the levy requirement for 2025/26 is £51.788m, representing a 7% gross increase in the local authority levy. This increase does not reflect any support from the government in respect of increased national insurance costs.



- 12 The levy requirement of £51.78m for 2025/26 incorporates the financial impact of changes to employers' National Insurance contributions, amounting to £0.772m. Furthermore, the £48.322m levied for 2024/25 exclude the SCAPE pension grant, and requires adjustment to make a like for like year on year comparison.
- 13 A draft breakdown of the levy requirement of £51.788m by each constituent local authority is set out within [Appendix 2](#).
- 14 The table below confirms reductions of £0.902m for employee and non-pay cost identified through the work of the Group between September and October 2024. However, the net reduction was £0.386m due to the impact of the increase to National Insurance rates following the Autumn budget statement and refinement of capital financing.

£'m	2024/25	Sept-24	Oct-24	Nov-24	Changes via Budget Scrutiny
<b>Employees</b>	34.192	36.751	36.614	36.936	0.185
<b>Non-Pay</b>	12.807	13.077	12.432	11.990	-1.087
<b>Income</b>	-0.946	-1.039	-1.039	-1.039	0.000
<b>Capital Finance</b>	3.193	3.985	3.856	4.407	0.516
<b>Total</b>	<b>49.246</b>	<b>52.774</b>	<b>51.863</b>	<b>52.388</b>	<b>-0.386</b>

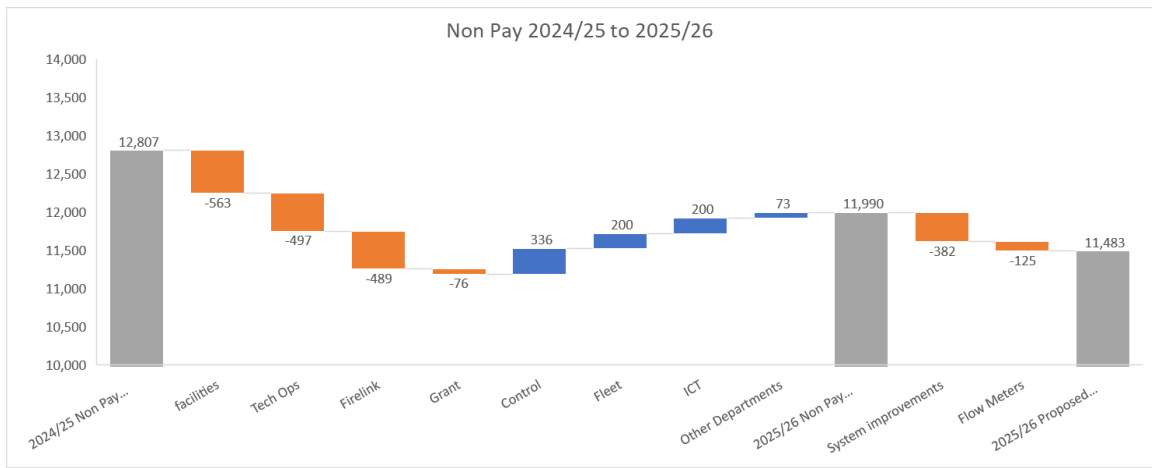
- 15 The following waterfall charts illustrate the key changes between the 2024/25 budget and the proposed 2025/26 budget, highlighting the adjustments and the utilisation of reserves where applicable and appropriate.
- 16 Employee costs have risen from the 2024/25 payroll budget of £34.192m to the proposed 2025/26 payroll budget of £36.936m. Key contributors to this increase include £0.060m for the 2024/25 pay award for Green Book staff, £1.009m for the Retained Duty System (RDS) effective from the 1 January 2025, £0.648m for Grey Book inflation at 3%, £0.202m for Green Book inflation at 3%, and £0.772m reflecting the impact of changes to employers' National Insurance contributions. These increases are partially offset by a reduction of £0.119m due to adjustments in RDS positions (reducing the assumed additional recruitment from 30 to 15). Additionally, £0.061m is allocated to cover an income matched post, £0.045m allocated for the introduction of a Business Fire Safety (BFS) Senior Compliance Officer post, and £0.035m for a Procurement Officer role.



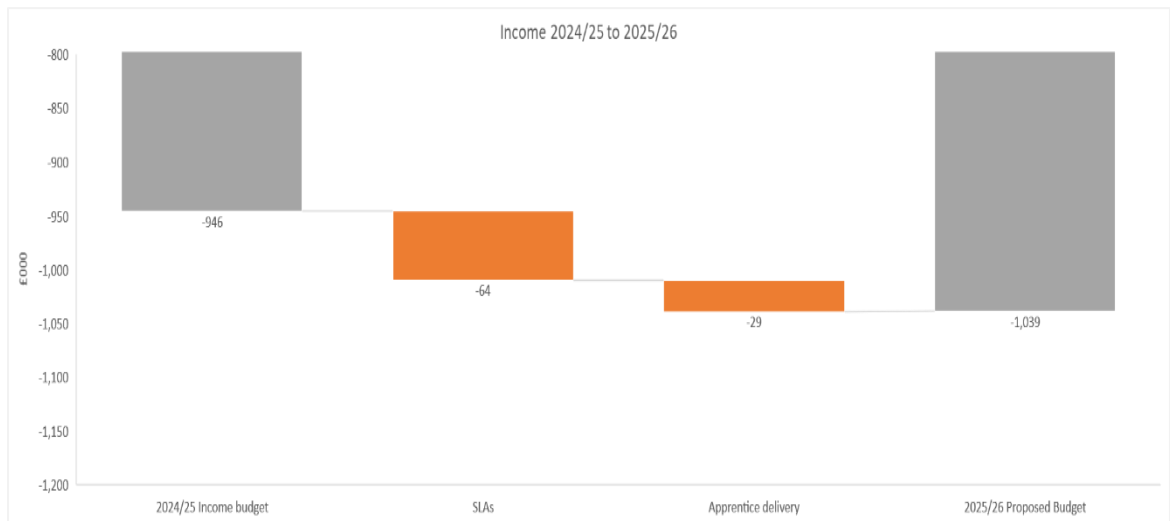
- 17 The analysis of direct payroll costs, detailed below, confirms a total allocation of £36.936m for employees in service delivery roles. The budget planning includes provisions to support the continued growth of the Retained Duty System (RDS), albeit with a reduced additional recruitment assumption of 15, ensuring operational response capacity and resilience are maintained.

Analysis of Direct Pay Costs	2025/26 £'m
Delivery of Response Services	31.267
Delivery of Protection and Prevention Services	2.712
Corporate Services	2.957
<b>Staffing Budget Requirement</b>	<b>36.936</b>

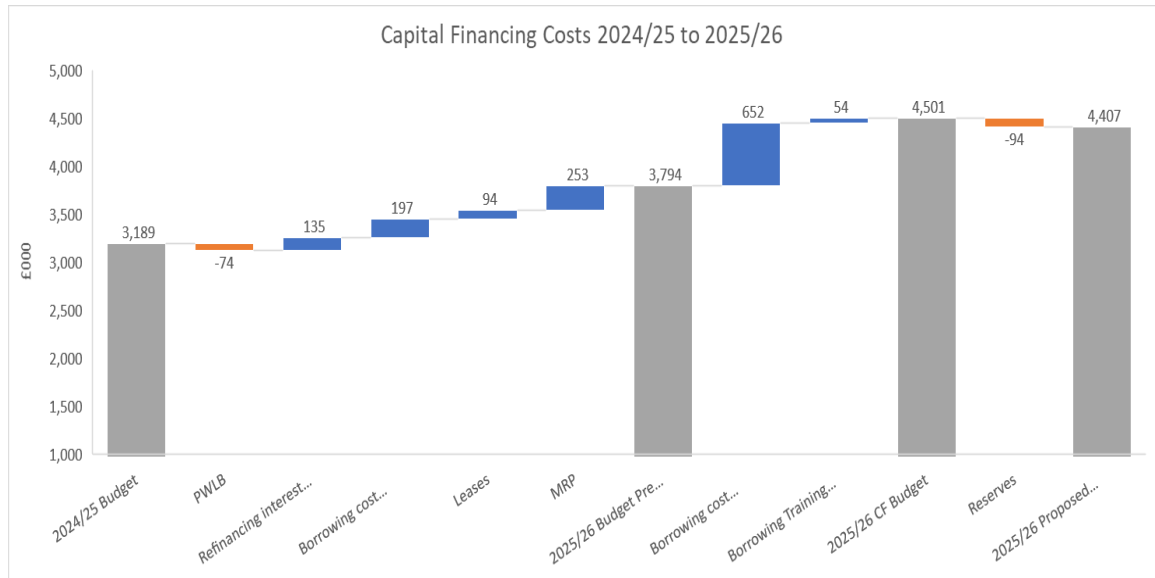
- 18 Non-pay costs are projected to decrease from £12.807m in 2024/25 to a revised baseline of £11.990m for 2025/26. This reduction is driven by £0.563m in utility savings, £0.497m from the removal of one-off Tech Ops expenditures, £0.489m from anticipated Firelink cost reductions, and £0.076m due to the cessation of grant-funded expenditure.
- 19 These reductions are partially offset by increases of £0.336m for Control, £0.200m each for Fleet and ICT, and £0.055m for other departmental costs. One-off costs, including £0.382m for system improvements and £0.125m for flow meters, are proposed to be funded from reserves, resulting in a final proposed non-pay budget of £11.955m.



- 20 Income is projected to increase from the 2024/25 budget of £0.946m to £1.039m, driven by higher revenue from Service Level Agreements (SLAs) and additional income anticipated from apprentice delivery in partnership with Coleg Cambria.



- 21 Capital financing costs are projected to increase from £3.189m in 2024/25 to £4.407m in 2025/26, primarily due to rising interest rates. Key drivers include £0.135m in refinancing interest costs, £0.197m for borrowing related to capital projects, £0.094m for leases, and £0.253m for the Minimum Revenue Provision. Additional borrowing costs for new capital projects and training facilities contribute £0.652m and £0.054m, respectively. These increases are partially offset by a £0.074m reduction in Public Works Loan Board (PWLB) costs and £0.094m utilisation of reserves, resulting in the proposed budget of £4.407m.



## FURTHER WORK

- 22 Business cases for capital funding will undergo further internal scrutiny to ensure they align with the organisation's strategic objectives, effectively mitigate risks, and comply with the principles of the Well-being of Future Generations Act 2015. This process will provide assurance that proposed investments contribute to long-term sustainability, deliver value for money, and support the wider goals of economic, environmental, and social well-being.
- 23 The draft financial planning assessment will be subject to further refinement and updated in the final assessment presented to the Authority at its meeting on 20 January 2025.

## IMPLICATIONS

Well-being Objectives	This report links to the Authority's Improvement and Well-being Objectives. It reports on the financial viability of the Authority.
Budget	The initial planning assessment has indicated a budget requirement of £52.8m.
Legal	The Authority has a legal duty to set a balanced budget based on realistic planning assumptions.
Staffing	70% of expenditure relates to staff costs and therefore is a material factor when considering future financial stability. The risks identified by the Chief Fire Officer include ongoing pay negotiations as well as the need to recruit further retained duty staff and build corporate resilience.
Equalities/Human Rights/Welsh Language	These issues will be factored into budget setting proposals.
Risks	The key risks and uncertainties to the 2025/26 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	<ul style="list-style-type: none"> <li>• 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.</li> <li>• RDS expenditure has been based on the 2023/24 headcount. Budgeting for the full required establishment would result in an additional cost of approximately £3 million.</li> <li>• The planning assessment for pay awards for 2025/26 is an increase of 3% for all staff groups.</li> <li>• The 2024/25 firefighter settlement included an uplift of circa 50% in the retaining fee paid to firefighters on the retained and day crewing duty systems. The impact of this increase is an estimated £1m per annum.</li> <li>• During 2023/24 the Welsh Government revised the flow of funds in relation to financial support for increases to the employer contributions associated with the firefighters’ pension scheme. Following the 2016 actuarial valuations £1.1m of support was provided to the Authority directly from the Welsh Government (known as SCAPE funding). From 2023/24 this has been included within funding to constituent local authorities. At the time of writing the financial support for the increase arising from the 2020 valuation has not yet been confirmed. For the purpose of budget setting all costs are included within expenditure to be met from the levy.</li> </ul>	<ul style="list-style-type: none"> <li>• The National Joint Council (NJC) has not yet reached agreement on the firefighter pay award for 2025/26.</li> <li>• The National Joint Council (NJC) for Local Government Services has not yet reached agreement on the pay award for staff on LGPS contracts for 2025/26.</li> <li>• 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.</li> </ul>



Heading	Planning assumptions used in budget setting	Risks/Uncertainties
Non-Pay	<ul style="list-style-type: none"> <li>• The initial planning assessment has confirmed that the non-pay budgets will be formulated on existing service delivery models.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• The cost of gas and electricity has been a known cost pressure since 2022/23 due to global cost pressures. The position appears to have stabilised and the budget for 2025/26 is predicated on best estimates at this time. However, volatility in the market continues and this is carefully managed throughout the financial year.</li> <li>• During 2023/24 the Welsh Government removed its financial support of £0.4m for the existing national emergency services communication network (Firelink). The full contract price is now funded directly from core funding. Due to the fixed nature of this contract these costs are unavoidable and the contract includes an annual inflationary increase. The full year cost is £1m per annum although following a national legal challenge this may reduce to £0.5m. The national legal challenge is subject to appeal and the final outcome remains uncertain, however, the cost reduction has been included as part of budget setting.</li> </ul>

Heading	Planning assumptions used in budget setting	Risks/Uncertainties
Capital Financing	<ul style="list-style-type: none"> <li>• The capital financing requirement for 2025/26 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 2025/26 capital programme and the impact of interest rate increases when re-financing maturing loans.</li> <li>• 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 4.5%. The Authority receives independent advice and guidance on this matter from Arlingclose, a specialist advisory company.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• 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 2025/26 financial year. Financial modelling will be undertaken to assess the affordability of all proposals during the budget setting process.</li> <li>• 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.</li> </ul>
Income	<ul style="list-style-type: none"> <li>• Income budgets have been reviewed and set in line with previous years, subject to inflationary increases. These largely relate to income from property where our sites are jointly occupied.</li> <li>• 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 2024/25 levels.</li> </ul>	<ul style="list-style-type: none"> <li>• No specific risks have been identified over and above the grant income from the Welsh Government for which inflationary uplifts are not anticipated.</li> </ul>

## Appendix 2

### Draft financial levy by local authority

Authority	2024/2025 Contribution £	Population	Apportionment %	2025/26 Budget Requirement (Levy) £	Increase in Levy £	Increase in Levy %
Anglesey Council	4,848,293	69,291	10.02%	5,190,383	342,090	7.06%
Gwynedd Council	8,256,681	119,173	17.24%	8,926,896	670,214	8.12%
Conwy County Borough Council	8,024,901	114,410	16.55%	8,570,114	545,213	6.79%
Denbighshire County Council	6,779,844	97,156	14.05%	7,277,668	497,824	7.34%
Flintshire County Council	10,905,762	155,182	22.45%	11,624,223	718,461	6.59%
Wrexham County Borough Council	9,506,724	136,149	19.69%	10,198,518	691,794	7.28%
<b>Total</b>	<b>48,322,205</b>	<b>691,361</b>	<b>100%</b>	<b>51,787,801</b>	<b>3,465,596</b>	<b>7.17%</b>