

2026/27 and Later Years Revenue and Capital Budgets

Report of the Treasurer

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1 Executive Summary

This report brings together the elements of an initial revenue budget, based on current planning assumptions, and seeks the Committee's approval for this outline to be recommended to the Fire Authority in December 2025.

2 Recommendations

The Committee is asked to recommend that the Fire Authority:

- a) Notes the revisions and the committed changes to the base budget, as shown in section 4;
- b) Notes the ongoing work on efficiencies and productivity improvements in section 5;
- c) Bases its pay and price contingency in the revenue budget on the calculations set out in section 6;
- d) Notes the process for the approval of the capital programme, and
- e) Approves the expenditure figures associated with those approved assumptions as a basis for developing the budget at the meeting of the Fire Authority in December 2025

3 Background

At its meeting in February 2025, the Fire Authority approved a revenue budget of £30.084m for 2025/26, which included a budgeted surplus of £0.042m. Revenue budgets to 2027/28 were also projected, although members were advised that, due to the uncertainty about future funding, these were purely estimates.

The following assumptions, upon which the budget was set, were approved by the Fire Authority:

- Precept increase of 4.33% (£4.96) in 2025/26, 2.99% thereafter
- 2% pay award from 2025/26 for operational and support staff;
- Revenue Support Grant increased by 1.95% in 2025/26, 2% thereafter;
- Council tax base growth at 2.14% in 2024/25, 1.87% thereafter
- Business rates received from Shropshire Council and Borough of Telford & Wrekin, increased by 1.05%
- Business rates top-up grant received from Government, increased by 1.05%

This report deals with the revenue budget and proposes changes in revenue expenditure. The stages in the budget process, and the proposed updates to assumptions during, and because of, the review are laid out in the following sections. The Committee is asked to consider each element and approve the associated recommendations at the beginning of the report.

Although funding estimates can only be completed once final information becomes available for Council Tax Band D base and Collection Fund balances, planning will continue, based on the assumptions adopted by the Authority.

Fair Funding Review

Setting the revenue budget for 2026/27 to 2028/29 is taking place alongside the uncertainty of the Fair Funding Review and the resulting Local Government Finance Settlement.

The Fair Funding Review will introduce a new system for allocating grant funding to local authorities; this will be used to allocate Revenue Support Grant, the largest general grant. Under the new system, this funding will be distributed to authorities according to:

- An assessment of relative need, divided into distinct relative needs formulas
- An area cost adjustment to consider variations around the UK in costs of providing services
- A resource assessment, considering of each authority's capacity to raise council tax.

The government is also planning to change how business rates revenue is redistributed between authorities.

The Chancellor of the Exchequer will present her budget at the end of November, and it is likely that funding figures to 2028/29 for each authority will be published in December 2025. No indications of outcomes for individual authorities have been published, nor have decisions been made about possible transitional relief, however initial work commissioned by the NFCC indicates that grant reductions should be factored into scenario planning.

4 Stage One – Base Budget Review and Committed Changes

As the first step in the budget setting process, revenue budgets have been reviewed; this has considered both changes that have been made to date to the 2025/26 revenue budget, and anticipated changes for 2026/27 and future years.

It is important at this stage in the process to review where efficiencies can be identified, following new ways of working or because of technological improvements.

Officers will continue to review their budgets with Finance staff, with the opportunity to make changes within the total provided where necessary.

Work on the base budget review is ongoing, and adjustments will be made throughout the budget setting process and reported to Members.

Note	2026/27 £'000	2027/28 £'000	2028/29 £'000
2025/26 Budget	30,042	30,042	30,042
Committed Changes			
Removal of temporary staff added 2024/25	-66	-66	-66
Replacement command & control system	108	108	108
Increase in Fire Authority members	10	10	10
Non domestic rates	400	400	400
Base Budget Review			
Capital charges	-150	-150	-150
1 Procurement support contract	30	30	30
2 Contract cleaning and waste disposal	46	46	46
Competitions	10	10	10
3 Community Risk Management Plan (CRMP) – data analysis and consultation	20	25	25
Campaign Strategy	10	10	10
4 Boat Strategy – implementation of CPD	20	20	20
5 Portfolio Management IT solution	28	28	28
Total	30,508	30,513	30,518
Total movement in base budget	466	5	5

Notes

1. **Procurement support contract** – Support contract with West Mercia Police to provide guidance on large procurement exercises and support the Procurement Officer.
2. **Contract cleaning and waste disposal** – addresses increase in cleaning costs at Telford and compliance with new waste legislation
3. **CRMP** – expenditure required for data analysis and consultation in preparation for the 2028 Plan
4. **Boat Strategy** – additional expenditure to ensure compliance with NFCC Boat Code
5. **Portfolio Management ICT solution** – system to co ordinate, manage and report on the Service’s portfolio, programmes and projects

Please see recommendation a).

5 Stage Two – Efficiencies and Productivity

In line with the Authority’s Efficiency and Productivity Plan which was submitted to the Home Office in March 2025, officers have continued work to recognise where efficiencies have been made across the Service, in terms of cash reductions and productivity.

During this year, officers have established activity reporting on wholetime watches which will inform future working routines and identify where further improvements can be made.

As well as identifying and reporting efficiencies as part of the budget monitoring and reporting process, the appointment of a Systems Analyst will

enable the Service to analyse departmental procedures and create more efficient working practices.

Work in this area is ongoing and progress and outcomes will be reported to the Home Office and the Authority.

6 Stage Three – Pay and Price Contingency

Officers have used the following methodology for establishing pay and prices contingencies:

- Analyse base budget (2025/26) into the spending areas, where pay or price changes can be significant;
- Make pay assumptions for firefighters, based on a realistic expectation for the outcome of the nationally negotiated settlement;
- Make pay assumptions for other pay, based on a realistic expectation of the outcome of any outstanding negotiations;
- Take account of known issues, such as increments; National Insurance and tax changes, increases in national living wage; and
- Analyse the non-pay and income budgets into key elements, including those to which no inflation applies, and create an appropriate contingency.

Current Developments

Contingencies for pay award for staff conditioned to grey, green and gold book were set at 2% in 2025/26 and the following two years. This was in line with national dialogue across the Fire sector.

Pay awards for 2025/26 were agreed at 3.2%, 1.2% above the Service's contingency. This meant that the additional £150,000 had to be accommodated within existing budgets for 2025/26, as well as being a consideration for pay contingency levels going forward.

Current contingencies for pay award are set at 3% in 2026/27 and future years. This is based on current awards being over and above previous provision but also considers affordability based on current Service pressures and a potentially unfavourable financial settlement.

The additional pay award of 1.2% from the 2025/26 negotiation will be found from existing pay contingencies and balances. The Chancellor has referred to the requirement for further efficiencies and productivity improvements, and any potential increase over and above budgeted levels would be covered by savings identified.

In terms of prices, non pay increases in recent years have been based on the Office of Budget Responsibility's forecasts for CPI inflation. The figure for 2026/27 has been increased slightly to allow for the Service's unusual 'basket of goods', as some areas of the budget may experience higher than normal inflationary pressures.

Conclusions

It is proposed that the figures for pay and price assumptions over the planning period will be budgeted as follows:

	Pay		Prices	
	%	£'000	%	£'000
2026/27	3.0%	634	2.5	147
2027/28	3.0%	652	2.5	150
2028/29	3.0%	671	2.5	154

Please see recommendation c).

7 Stage Four – Capital Programme 2026/27 to 2028/29

The Authority has already agreed capital programmes for 2025/26 and earlier years. It has also agreed how these schemes are funded and the revenue consequences for future years.

This stage deals with the options available for new schemes, starting next year.

The Capital Programme from 2026/27

The schemes under consideration include operational equipment, vehicles, building and technological improvements, and are currently being reviewed by officers. Decisions around funding the programme and the need to borrow funds will be discussed with Treasury Services and borrowing costs have been factored into the revenue budget.

Borrowing decisions will be made at the most financially optimal time, in line with the needs of the Authority's Capital Financing Requirement. Estimated associated borrowing costs are currently included in the Authority's scenario planning.

It should be noted that revenue consequences are limited to financing costs – any other costs need to be included as part of the project appraisals. Also, the Authority is presently only committing itself to schemes that start in 2026/27. Most schemes are currently shown as being spent in the start year. However, experience shows that payments often slip into later years, thereby slowing the build-up of costs and resulting in revenue underspend.

The proposed capital programme will be brought to the Committee in January 2026 for consideration; it will then go forward to the Fire Authority for approval.

Appraisals for each scheme will confirm their service value, the capital cost, phasing of expenditure and revenue consequences. There is, therefore, scope for these figures to change, especially if there are any associated revenue consequences, such as running costs of property or systems.

Prudential Guidelines

In addition to the merits of the individual schemes within the final capital programme presented in February, the Authority will need to evaluate the programme in the light of its Capital Strategy, which includes Prudential and Treasury Management Guidelines. Compliance with these indicators will demonstrate the affordability, sustainability and prudence of the proposed programme of schemes.

Future Capital Schemes

The forward capital programme is being thoroughly reviewed by officers and any future requests for schemes will be considered as part of the ongoing strategic planning process. Projects for consideration will be tested to ensure that, as far as possible, they are both realistically costed and resourced; will start when scheduled; and that, where possible, they have long-term revenue saving potential.

Please see recommendation d).

8 Revised Budget Summary

The changes to revenue expenditure, covered in the previous sections, can be summarised as follows:

	2026/27	2027/28	2028/29
	£'000	£'000	£'000
Previous Year's Budget	30,042	31,289	32,096
Committed Change	466	5	0
Pay and Prices	781	802	825
	31,289	32,096	32,921

9 Funding Assumptions

Officers have continued to use the Service's budget planning model, which is estimating budgets and income to 2028/29. Financial planning will forecast the position of the revenue budget to 2028/29, but with emphasis on the medium term, i.e. 2026/27 to 2027/28.

The Authority's scenario planning shows that changes in assumptions can significantly alter the financial position of the Authority. Officers will continue to update the planning model as more information becomes available.

Revenue surpluses, which accumulated following the process, have been used to fund capital schemes, therefore maintaining stable capital reserves, but these reserves will be reduced to nil as current schemes are completed. Where deficits are forecast, further work should be carried out to identify how these will be mitigated, and the Community Risk Management Plan will also refer to Service changes that may be necessary.

Forecasts for the longer term are provided within the table above as an indication of the financial position, based on a number of uncertain assumptions. Officers and Members should note this longer-term position and have plans and options available to meet a range of possible outcomes.

10 Capacity

Whilst future capacity impacts are referenced, there are no issues arising from this report.

11 Financial Implications

The financial implications are as outlined in the main body of the report.

12 Legal Comment

There are no direct legal implications arising from this report.

13 Appendices

There are no appendices to this report.

14 Background Papers

There are no background papers associated with this report.