

2026/27 and Later Years Budget Summary

Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 258915 or Joanne Coadey, Head of Finance, on 01743 260215.

1 Purpose of Report

This report summarises the budgets that are proposed by the Strategy and Resources Committee. The results are put forward to the Fire Authority for approval as the basis for consultation, leading to a final decision at the Fire Authority meeting in February 2026.

2 Recommendations

The Fire Authority is recommended to:

- a) Note the report;
- b) Agree the recommendations on expenditure for 2026/27 and later years, set out in report 6 of the Appendix;
- c) Agree the recommendations on Reserves and Provisions, set out in report 7 of the Appendix, and
- d) Request the Strategy and Resources Committee to prepare a final budget package in January 2026, for final decision by the Fire Authority in February 2026.

3 Background

At Strategy and Resources Committee in November 2025, Members noted changes to the revenue budget for 2026/27, looking at base budget and committed changes and pay and prices contingencies.

The Committee were also informed about the Fair Funding Review and changes to the way in which funding would be allocated to local authorities from 2026/27. Officers had received limited information on the three-year settlement, but scenario planning was being undertaken. Full details are set out in the reports which were agreed by the Committee and are attached at the Appendix to this report.

The Committee reviewed expenditure budgets and received a report which detailed the Authority's reserves. The reserves currently total £10.2m.

4 Current Position

Local Government Finance Policy Statement 2026-27 to 2028-29

The Government released its policy statement relating to the Fair funding Review on 20 November 2025.

The statement set out the Government's plans for reforming local government finance, including the detailed proposals that will be consulted upon at the provisional settlement in December. Local authority allocations will be published in the provisional settlement.

Main changes include:

- An update to the funding system and its data, to reflect the different levels of need in different parts of the country
- Full account taken of a local authority's ability to raise council tax, so that this is recognised during grant allocation
- Commitment that the system will be kept up to date so that issues such as deprivation, population and income generation are properly accounted for
- Providing greater certainty for local authorities by providing a multi-year settlement
- Providing fair transitional arrangements
- Simplification of more than 30 funding streams, bringing certainty and flexibility.

New Fair Funding Assessment (FFA) allocations will be phased, moving local authorities to their new allocations in increments of one third over the multi-year settlement. In addition, authorities which would see income fall because of these changes will be supported, with their income protected with a range of funding floor levels appropriate to circumstances.

For stand alone fire authorities, a funding floor will be provided which protects 2025/26 income in real terms across the multi-year settlement.

This reflects that standalone fire and rescue authorities have a unique place within the funding structures of the Settlement. As relative need is assessed for one service area only, the funding position is more sensitive to wider changes to the needs assessment, and there are fewer flexibilities to manage

budgetary pressures available. A real terms funding floor will support standalone fire and rescue authorities to continue providing their life-saving services.

As a result of the funding floors, some authorities will remain above the Fair Funding Assessment allocations by the end of the multi-year settlement. There will be another Spending Review which will provide certainty around funding arrangements for 2029/30 and beyond.

The Government will maintain core referendum principles, in relation to increases in council tax, as they were in 2025/26 over the multi-year settlement.

A core council tax principle of £5 will apply to fire and rescue authorities across the multi-year settlement.

The provisional settlement is expected prior to Christmas. The settlement will be a multi-year settlement from 2026/27 to 2028/29. Scenario planning has been carried out based on the information provided to date.

Whilst a real terms funding floor is attractive and provides certainty into the medium term, it is not yet confirmed which fire grants will be rolled into the control total. Cessation of grants in 2025/26 far outweighed the benefit of a £5 precept increase, and it is prudent to secure the provisional settlement numbers prior to making decisions around future growth and investment or cost saving exercises.

Fire Pension Scheme Revaluation

Increases in employer contributions following the 2020 valuation were factored into last year's budget setting process, with provision of a support grant. It has not yet been confirmed how this grant will feature in the provisional settlement.

In order to test the Authority's financial resilience and ability to adapt to changing conditions, a number of scenarios have been developed which test the sensitivity to changes in planning assumptions. The numbers in the table represent the amount of the revenue budget that will require a contribution from reserves or the identification of further savings or is available for investment and growth in the Service.

The fire and rescue relative needs formula will be updated to use the most recent data available. The Government recognises that that the formula's underlying design was created over a decade ago and warrants further review. Government will work with the Fire sector on a review of fire funding, which will take place ahead of the next Spending Review.

Expenditure and Income

The table below shows the expenditure proposed by Strategy & Resources Committee and the projected surplus or deficit using current assumptions for income.

	2026/27 £000	2027/28 £000	2028/29 £000
Expenditure budget proposed by the Committee	-31,289	-32,096	-32,921
Income	30,993	32,512	32,736
Balance available for investment and growth	-296	416	1,157

Income shown is based on current assumptions:

- Grant increased by 3.7% (CPI Sept 25) in 2026/27 and 2% thereafter; 3.7% increase in income rates from 2026/27, and 2% thereafter
- Continuation of rates compensation grant
- Precept increase of 4.33% for 2026/27, 4% in 2027/28 and 3.85% in 2027/28, in line with referendum principles
- Council tax base increase of 1.87% from 2025/26
- Pay award of 3% from 2025/26

5 Items for Consideration

Capital Programme

The charges associated with the capital programme will be added to revenue expenditure following approval in February.

Revenue implications of the capital programme will be added to the revenue budget, following consideration of the programme by the Strategy & Resources Committee in January.

Growth and Investment

A programme of growth and investment within the Service was approved by the Fire Authority as part of the budget setting process for 2025/26. This focused on several priority areas aimed at reducing risk and vulnerability in the community and ensuring that all staff are competent to perform their roles effectively.

In 2025/26, a total of £250,000 was allocated to the budget, which was used to fund the Service's structural review, with further funds proposed for future years to address the following areas:

- Implementing year 2 of the structural review
- Investment in recommendations from the Community Risk Management Plan (CRMP)
- Continued focus on the cause of concern and areas for improvement from His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) inspection report from November 2024
- Development of the Authority's strategic priorities and the essential investments in people, processes, and systems.

The expenditure figures in section 6 do not include allocation for growth proposed from 2026/27. It is prudent to secure provisional settlement numbers prior to making decisions around future growth and investment.

Collection Fund and Council Tax Base

The Authority does not currently account for a surplus or a deficit as part of its planning; information is currently being gathered from the constituent authorities on the potential balance on the collection funds at the end of 2025/26. This will be factored into the budget modelling process when available.

The planning assumption for council tax base is that the combined base will increase by 1.87% per year. Constituent authorities have also been asked for assumptions around base growth, and this will be included in scenario planning.

6 Financial Implications

These are detailed in the main body of the report.

7 Legal Comment

There are no direct legal implications arising from this report.

8 Initial Impact Assessment

An Initial Impact Assessment has been completed.

9 Appendix

Shropshire and Wrekin Fire and Rescue Authority
Strategy and Resources Committee, 20 November 2025, Reports 6 and 7.

10 Background Papers

The background papers associated are attached as an appendix.