

Revisions to the 2026/27 Revenue Budget

Report of the Treasurer

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

1 Purpose of Report

This report presents a final revenue budget package for 2026/27 for consideration by the Committee, and recommendation to the Fire Authority, taking into account latest information.

2 Recommendations

The Committee is asked to recommend that the Fire Authority approve:

- a) a precept increase for 2026/27, based on one of the options in Section 7; and
- b) a revenue budget in line with the precept increase approved above.

3 Background

At its meeting in December 2025, the Fire Authority was presented with a summary of the revenue budget for 2026/27 that had been considered by Strategy & Resources Committee, along with its medium-term planning requirements. These were based on assumptions currently in use by officers in the Service's scenario planning.

Members were informed that the Chancellor had released a Local Government Finance Policy statement, which set out the Government's plans for reforming local government finance.

The Statement included the following changes:

- An update to the funding system and its data
- Full account taken of a local authority's ability to raise council tax

- Providing greater certainty for local authorities by providing a multi-year settlement
- Fair transitional arrangements
- A commitment to keep the system up to date
- Simplification of funding streams

Clarification was provided that for stand-alone authorities; a funding floor would be in place to protect 2025/26 income in real terms across the multi-year settlement.

It was also confirmed that a core council tax principle of £5 would apply to fire and rescue authorities across the multi-year settlement.

Based on the policy statement, the table below shows approved expenditure and the projected surplus or deficit using current assumptions for income, as presented to the Fire Authority

	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	34,078
Balance available for investment and growth	-296	416	1,157

These assumptions were:

- Grant increased by 3.7% (CPI Sept 25) in 2026/27 and 2% thereafter;
- Continuation of rates compensation grants
- Precept increase of 4.33% for 2026/27, 4% in 2027/28 and 3.85% in 2028/29, in line with referendum principles
- Council tax base increase of 1.87% from 2026/27
- Pay award of 3% from 2026/27.

Further modelling was undertaken by the National Fire Chiefs Council (NFCC), with a funding floor of real terms 2025/26 income, **inclusive** of a precept increase of £5.

	2026/27 £000	2027/28 £000	2028/29 £000
Expenditure budget proposed by the Committee	-31,289	-32,096	-32,921
Income	30,877	31,734	32,470
Balance available for investment and growth	-412	-362	-451

Income shown is based on current assumptions:

- 2025/26 core spending power increased by GDP Deflator - 3.13% in 2026/27, 2.25% in 2027/28 and 2.05% in 2028/29; 3.7% increase in rates income from 2026/27, and 2% thereafter – this includes council tax income
- 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 2026/27
- Pay award of 3% from 2026/27

4 Provisional Grant Settlement 2026/27 to 2028/29

The provisional finance settlement was announced on 17 December 2025, providing numbers for 2026/27 to 2028/29.

For standalone Fire Authorities, government have provided a funding floor which protects 2025/26 income in real terms.

This protection is after assuming

- An increased taxbase (not yet confirmed) and
- An increase in council tax of £5 in line with referendum principles.

The protection is based on forecast GDP deflator at

- 2.2% for 2026/27
- 2.1% for 2027/28
- 2.0% for 2028/29.

Council tax referendum principles are set at £5 for standalone Fire Authorities for the duration of the multi-year settlement.

The Fire sector will see an increase in core spending power of 4.5% next year, then 4.5% and 3.8% in succeeding years. However, government funding is reducing by 1% in cash terms across all three years and all of the increase in core spending power is because of the assumed £5 council tax increase in each year (alongside taxbase increases). This means that the sector will be more reliant on council tax.

Authority Position

From 2026/27, core spending power is made up of Fair Funding Assessment and Council Tax. Total funding received in 2025/26 has been converted to allow for comparison across the new funding settlement.

Funding	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Legacy grant funding	2,943	-	-	-
Legacy business rates	5,551	-	-	-
Fair Funding Assessment: Revenue Support Grant and NI Grant Business rates and Top Up Grant		4,778 3,568	4,445 3,650	4,083 3,723
Council tax income	21,446	22,785	24,167	25,597
Total	29,940	31,131	32,262	33,403
% increase		4.0%	3.6%	3.5%

Legacy business rates include all prior business rates under indexation compensation funding. Government is proposing that this will be brought into Revenue Support Grant, including historical funding that was not previously in the scope of Core Spending Power. This funding will adopt the Revenue Support Grant distribution.

Fire Pension Scheme Valuation 2020

The Treasury completed its analysis of the outcomes of the 2020 valuation in 2024; the impact of the valuation on the schemes was an increase in employer contributions, from 30.2% to 37.6%.

The total costs of this increase for 2024/25 and 2025/26 were funded by government; however, it has not yet been confirmed that this will continue for the multi-year settlement. The contribution increase represents an increase in the revenue budget of around £800,000 per year.

5 Council Tax Base and Collection Fund

Council Tax Base

Council tax base numbers for both constituent authorities have been received; the total tax base increase is lower than anticipated and will lower annual precept yields by £128,000.

Collection Funds

The Fire Authority receives a share of any collection fund surplus at the end of each year and must contribute to any deficit.

Total collection fund balances for Shropshire Council and Borough of Telford & Wrekin are currently being finalised.

6 Further Developments in the Revenue Budget

Business Rates

Members were advised at the last meeting that non domestic rates were to increase following refurbishment at Telford. Whilst a large proportion of the increase is attributable to Telford, the increase represents movements across the estate between 2023/24 and 2025/26.

Successful appeals of rateable values from 2022/23 generated one off savings that were added to reserves, and an ongoing efficiency saving of £100,000. This efficiency will be reported as part of the Efficiency and Productivity Report to Government and will reduce the revenue budget from 2026/27.

Digital and Data Expenditure

A review of commitments relating to systems, technology and security has been completed and the current budget is not sufficient to meet all commitments. It is proposed that £100,000 is added to the revenue budget to facilitate these costs. Some efficiencies have also been identified, these will be formalised and reported as part of the Efficiency and Productivity Report to Government.

Growth and Investment

In June 2025, the Authority received a report which provided details of the Service's structure review. This was developed in response to feedback from staff, His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) inspection report, and the Senior Management Team, and was designed to ensure delivery of its statutory responsibilities and strategic goals.

The revenue budget included an addition of £400,000 in 2026/27, for permanent staff, and this was to be followed by additions of £250,000 for staff and £150,000 for technology over the next two years. Members were informed that this phased approach to recruitment would allow for ongoing budget monitoring and flexibility, ensuring alignment with current financial allocations and a reassessment of strategic goals.

The medium-term approach to this investment, with some areas being addressed in years 2 and 3 of the planning period, also needed to consider the multi-year settlement from 2026/27. Now that multi-year funding has been confirmed, there is no capacity for growth within the budget for staff or technology.

The financial position after applying these changes is shown in the following table:

	2026/27 £000	2027/28 £000	2028/29 £000
Expenditure budget proposed by the Committee	-31,289	-32,096	-32,921
Digital and Data costs	-100		
Business rates efficiency	100		
Total expenditure	-31,289	-32,096	-32,921
Income			
Fair Funding Assessment	8,347	8,096	7,807
Council tax	22,632	23,978	25,366
Total income	30,979	32,074	33,173
Surplus / - deficit on revenue budget	-310	-22	252

This is based on a precept increase of £5 per year, equating to 4.18% for 2026/27, 4% for 2027/28 and 3.85% for 2028/29, which remains the current planning assumption.

7 Consideration of Precept Increases

Council tax referendum principles are set at £5 for standalone Fire Authorities for the duration of the multi-year settlement.

For standalone Fire Authorities, government will provide a funding floor which protects 2025/26 income in real terms.

This protection is after assuming

- An increased taxbase (not yet confirmed) and
- An increase in council tax of £5 in line with referendum principles.

It is important that budget planning includes several options for precept increase, other than the referendum principle. The table below shows the effect of a precept increase from 2% and 3%, to £5.

Precept Increase	Surplus / -Deficit £'000		
	2025/26	2026/27	2027/28
£5 - 4.18% 26/27, 4% 27/28, 3.85% 28/29	-310	-22	252
3% across multi year settlement	-565	-522	-479
2% across multi year settlement	-782	-975	-1,190

The referendum spending limit has been maintained at £5 for standalone fire authorities, giving some flexibility to the precept increase decision. However, members will need to consider the effect on the Authority's income streams if £5 precept is not approved.

When making decisions on precept strategy, the Authority should consider the current position of the Service and its requirements to continue to address the cause for concern and areas for improvement within its HMICFRS inspection report, as well as completing recommendations from the Community Risk Management Plan (CRMP).

The later years of the planning period are more favourable, with a pay award in line with expectations and nothing allocated to growth or investment at this time. However, as the effects of the multi-year settlement are introduced over the three years, it is still not clear how income will be affected from 2029/30.

In addition, Government have committed to review the Fire Formula over this multi-year settlement, with a planned introduction from the next spending review. Until services are aware of the factors within the formula, outcomes of the formula will be unclear.

The revenue consequences of the capital programme from 2025/26 will be considered later on the agenda, and indicative costs to be added to the revenue budget are as follows:

Cumulative Capital Charges		
£'000		
2026/27	2027/28	2028/29
156	530	473

A precept increase of 2% or 3% across the planning period, would leave the authority short in covering inflationary pressures and would not service its capital programme or provide any opportunity for growth and investment into the Service or its staff. Efficiencies and productivity will be reviewed with the introduction of a Business Analyst in 2026/27, and improvements identified. Any further funds required to balance the budget would be found in reserves in the short term. The Authority must then consider how its reserves will be replenished to protect the Service into the medium term.

Increasing the precept by £5, or 4.18%, is in line with government assumptions within the calculation of core spending power. The increase may allow for some growth and investment to be achieved during the later years of the settlement.

8 Medium Term Budget Considerations

The budget position for 2026/27 and later years has been updated to reflect the information available following the settlement.

The multi-year finance settlement is more favourable than anticipated by Sector modelling, however work is ongoing to confirm the detail within the numbers published. Confirmation of ongoing pensions grant is also awaited.

Whereas collection fund balances may provide some one-off funding in each year of the settlement (or prepayment of deficits to the funds), confirmation of council taxbases will provide ongoing precept income, and this is yet to be confirmed.

The introduction of a multi-year settlement is welcomed and provides stability across the planning period. However, there are still a number of considerations facing authorities:

- Members will still be debating the most appropriate precept increases for their constituents on an annual basis.
- The government have committed to reviewing the Fire formula within the settlement, having updated numbers within the existing formula for the current spending review. The indicators contained within the new formula could have wide reaching implications for individual authorities.
- Whilst the inclusion of a real terms increase floor for fire authorities is welcomed, the full effect of the revised spending review will not be apparent until these protections are removed at the end of 2028/29.

The Fire Authority's strategy has been to assess the consequences of its decisions across the planning period, which enables timely strategic decisions to be implemented. Whilst the introduction of a multi-year strategy from 2026/27 has brought some certainty across the medium term, the basis upon which this will be formulated beyond this spending review is not as clear.

Reductions in settlement income and an increased referendum threshold continue to place the burden of increased tax levels onto the taxpayer, and the decision around where to place these levels with the Fire Authority. Consultation on the precept increase will be carried out with the public to ensure that the views of local stakeholders are taken into account during the precept setting process.

9 Final Budget Options

The adjustments to the revenue budget and changes in funding have been exemplified and the summary position is shown below – this is based on the council tax flexibility of 4.18%, or £5. The figures are subject to change following the confirmation of council taxbases and one-off balances on collection funds for both constituent authorities.

The Committee is asked to recommend a precept increase of 4.18% (£4.99) to the Authority, which is in line with current assumptions. Work will continue on modelling for future years based on the multi-year settlement, and a notional precept increase of £5.

	2026/27 £000	2027/28 £000	2028/29 £000
Expenditure budget proposed by the Committee	-31,289	-32,096	-32,921
Funded by:			
Fair Funding Assessment	8,347	8,096	7,807
Council tax	22,632	23,978	25,366
Collection Fund	0	0	0
Total	30,979	32,074	33,173
Surplus / -Deficit	-310	-22	252

10 Financial Implications

There are no financial implications other than those outlined in the report.

11 Legal Comment

There are no legal implications arising directly from this report.

12 Initial Impact Assessment

An Initial Impact Assessment form has been completed.

13 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Human Resources 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment is not, therefore, required.

14 Appendices

There are no appendices attached to this report.

15 Background Papers

There are no background papers associated with this report.