

**PROGRESS AGAINST REVENUE AND CAPITAL  
BUDGETS 2025/2026****REPORT OF THE CHIEF FIRE OFFICER****For Information****1. PURPOSE OF REPORT**

- 1.1 To report progress against the approved 2025/26 Revenue and Capital Budgets as at 30 September 2025, and the associated forecast outturn.

**2. RECOMMENDATION**

- 2.1 That Members note the budget position as at 30 September 2025.

**3. REVENUE POSITION AT 30 SEPTEMBER 2025**

- 3.1 The Authority continues to operate in an uncertain financial environment as one year Government grant allocations continue.
- 3.2 The report advises Members that the Chief Fire Officer continues to manage the budget extremely carefully with the aim of achieving a budget underspend, where this does not impact on services. Key issues and details of the forecast outturn are detailed in the following paragraphs.
- 3.3 **Pay Budget** - the national pay awards were all approved at 3.2%. The impact of these agreements and ongoing underoccupancy rates on direct staffing costs is a forecast underspend of £660k made up as follows:

<b>Pay Award savings</b>  Actual pay awards for 2025/26 are 3.2%, compared to forecast of 4%. This provides a temporary saving in 2025/26. The 0.8% recurring amount will be retained within the 2026/27 base budget to help towards the national pay awards for 2026/27.	-£196k
<b>Under Occupancy savings</b>  Staffing strength is under establishment and due to careful management of vacant posts, provides a temporary saving in 2025/26, including the contractual changes to On-Call staff.	-£464k
<b>Total Pay Saving</b>	<b>-£660k</b>

- 3.4 **Non-Pay Budgets** are made up of operational and project activities. One-off savings have been identified in both areas, as summarised below:

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<b>Non-Pay Budget – Operational</b>	
<b>Utility Inflation</b> - decrease in inflation across gas and electricity.	-£131k
<b>Other non-pay budgets</b> – net underspends includes reduced FireLink costs	-£93k
<b>Non-Pay Budget – Projects</b>	
<b>Fire Control Project</b> - Motorola Credit resulting from a court appeal hearing	-£263k
<b>Airwave Project</b> - Reduced costs associated with the project delays	-£168k
<b>Non-Pay Budgets – forecast year end underspend</b>	<b>-£655k</b>

- 3.5 The pay and non-pay underspends need to be allocated to offset pressures already identified, as detailed in the table below:

In year Pressures (£218k of which was reported June)	£236k
Invest to Save Projects	£94k
Additional Repayment Costs – up to 6 water tenders - Approved by Authority 17.10.25, pending final decision following 2026/27 provisional Local Government Finance Settlement.	£293k
Asset Management Plan (AMP) Inflation Costs - The previous Medium Term Financial Strategy identified the forecast impact on inflation on the AMP and allocated some resources towards this requirement. This contribution fully funds the forecast AMP inflation requirement, which is prudent given the current and forecast inflation over the period covered by the AMP.	£140k
Property Reserve - Proactive maintenance schedule	£312k
Pay Budget forecast underspend	-£660k
Non-Pay budget forecast underspend	-£655k
<b>Net forecast revenue budget underspend</b>	<b>-£240k</b>

- 3.6 After consideration of the above, the overall position on revenue budgets at the end of September 2025 is detailed in Appendix 1 and shows a net forecast underspend of £240k.
- 3.7 In terms of developing a strategy for allocating the net forecast 2025/26 revenue budget underspend the Medium-Term Financial Strategy (MTFS) has highlighted the risk of national pay awards over the next three years exceeding the MTFS forecasts. This issue will remain a risk until inflation returns to the 2% Bank of

England target. Whilst the MTFS makes an appropriate provision for national pay awards this is at a lower level than recent years, on the assumption that inflation will reduce. However, if national pay awards are 1% above the MTFS forecasts this will increase the forecast budget deficits by £300k per year, potentially nearly £1m over three years if repeated each year.

- 3.8 To help address this risk it would therefore be prudent to earmark the net forecast 2025/26 revenue budget underspend (£240k) to manage this risk. As these resources are not recurring this will not provide a permanent solution to higher actual national pay awards. However, as national pay awards are not agreed until after the annual budget is set, the strategy will avoid the need for in year service cuts, which are difficult to achieve at any time; but more so in the financial situation facing the Authority in 2026/27 and the following two years.
- 3.9 In summary, the strategy outlined above helps the Authority manage financial risk during a period of intense financial uncertainty and therefore protect frontline services. Although, higher actual national pay awards than forecast in the MTFS will increase the forecast budget deficit and the resulting service cuts that will need to be made. Having a longer lead time to address this situation, if it arises, makes the position more manageable.

#### **4 CAPITAL POSITION AS AT 30 SEPTEMBER 2025**

- 4.1 The capital programme for 2025/26 includes the planned projects for this financial year from the revised Asset Management Plan 2025-2040, together with those projects rephased from 2024/25.
- 4.2 The capital budget for 2025/26 is **£7.077m** comprising 47 schemes. A summary of activity is presented in the table below.

Summary	Sept
Not yet started	5
Commenced planning & procurement activity	9
Orders placed awaiting delivery	6
Partial delivery/ partial payment	11
COMPLETE	7
Slipped to 26/27 Underway	0
Deferred to 26/27 Not Started	9
<b>Total Schemes</b>	<b>47</b>

- 4.3 Actual spend including commitments at September was £0.778m with a further £4.321m forecast by the end of the financial year. The forecast outturn position on the capital programme is currently a year-end underspend of **£1.978m**. This amount consists of four elements, including an element of capital expenditure to be deferred to 2026/27, as summarised below:

**Forecast Capital Outturn 2025/26**

	<b>£'m</b>
Schemes which will overspend	0.145
Capital costs in relation to the replacement of Aerial Ladder Platform scheme 1, 4x Water Tenders scheme 4, Lifting Bags, Fire Control, Drill Tower replacement Guisborough scheme 30, Billingham Appliance Bay Doors scheme 39 and Cyber Security Infrastructure.	
Schemes which will underspend	
A small number of schemes are complete or no longer required following review and have been delivered below the budgeted level. Schemes 6, 8, 11, 20, 36, 38, 42, 44 and 47	(0.262)
Schemes which will be rephased from 2025/26 to 2026/27	
Capital schemes have longer lead times than revenue spending and a number of schemes will see expenditure deferred to 2026/27 – i.e. scheme 3, 5, 17, 18, 23, 26, 27, 33, 34, 37,	(1.442)
Schemes not yet started	(0.419)
<b>Year-end outturn – underspend</b>	<b>(1.978)</b>

4.4 The financial position and progress for each project in the capital programme for 2025/26 is shown at Appendix 2.

4.5 There are no other significant issues to bring to Member's attention at this time.

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