

Lancashire Combined Fire Authority Resources Committee

Meeting to be held 24 September 2025

Financial Monitoring 2025/26

(Appendices 1 and 2 refer)

Contact for further information:

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Executive Summary

The report sets out the budget position to the end of July in respect of the 2025/26 revenue and capital budgets.

Recommendation

The Committee is asked to:

- note and endorse the financial position; and
- approve slippage in the capital programme of £1.232m to 2026/27.

Information

Revenue Budget

Lancashire Fire and Rescue Service's 2025/26 revenue budget has been set at £77.511m. The budget profiled to the end of July 2025 is £25.452m and expenditure for the same period is £25.497m which is essentially breaking even. Both pay and non-pay budgets are showing a small year to date overspend of £0.048m on pay, and a small year to date underspend of (£0.003m) on non-pay activities.

The budget included £0.5m of savings to be delivered through effective deployment of resources and effective management of overtime, whilst the profile of overtime is higher over the summer period, management information shows that overtime has been avoided and therefore we are forecasting that these savings will be met. Overall, a small overspend is forecast of £0.147m, which is just 0.2% of our net budget, this reflects the higher than budgeted pay awards of 3.2% for all staff compared to the 3% budgeted. There are inflationary pressures that are highlighted in the Future Pressures section, although at this stage these are not reflected in the forecast position as more information will be needed to provide a more accurate position.

The year-to-date and forecast positions within all departmental budgets are set out in Appendix 1, with the major variances of note shown separately in the following table.

Area	Year to Date	Forecast	Reason
Service Delivery - Pay	£0.098m	£0.155m	The pay award of 3.2% was agreed effective from July 2025, this is 0.2% above our budgeted assumptions which largely accounts for the forecast variance.
Prevention and Protection - Pay	(£0.110m)	(£0.155m)	Several vacant posts exist in the current staffing establishment for which recruitment is planned long term. Challenges persist in recruitment and retention due to competition from the private sector.
Fleet – Non-Pay	£0.105m	£0.054m	Vehicle repair and maintenance costs remain high due to inflationary pressures and demand for parts across the industry however this is projected to reduce during the year.

Future Developments

As previously outlined a pay award of 3.2% was agreed for both Grey Book and Green Book employees, this was above the 3% increase originally included in the budget. For Grey Book staff, the uplift applies from 1 July 2025 and covers all basic pay rates and CPD payments, with the trainee rate of pay removed from National Joint Council (NJC) pay scales. For Green Book employees, the same percentage increase is effective from 1 April 2025, applied as a consolidated, permanent uplift to all NJC pay points and relevant allowances. The unbudgeted element of this increase will place an additional pressure on the 2026/27 budget.

As of August 2025, the UK Consumer Prices Index (CPI) inflation rate stands at 3.83%, continuing an upward trend from earlier in the year. Forecasts from the Office for Budget Responsibility and other independent analysts suggest that CPI inflation will average around 3.2% for the 2025/26 financial year, with a gradual decline expected towards 2.1% by March 2026. This level of inflation is notably higher than the 2% general inflation assumption included in the budget and is placing pressure on both revenue and capital non-pay budgets.

Utility costs are also higher than the 2% inflation assumption at over 6% which is largely due to geopolitical instability. Longer-term projections suggest energy bills will remain at this high level into 2026 placing pressure this year and into the period of the next Budget.

Since January 2025, the Bank of England base rate has gradually declined from 4.75% to 4.00%, with forecasts suggesting a further drop to 2.75% by the end of 2026. Investment returns have followed suit which is higher than budgeted levels, it is therefore likely future projections will include additional income from investment returns.

After years of lobbying for a longer-term settlement and a fairer funding mechanism Government committed to a Spending Review and three-year settlement from 2026/27, and also to review the local government funding formula and business rates retention scheme. Whilst the June 2025 Spending Review announcement did not provide any detail regarding funding for the Fire Service, the subsequent 'Fair Funding 2.0 Consultation' that followed enabled the National Fire Chiefs Council (NFCC) to commission some financial modelling on potential medium term funding implications for the sector and services. In summary the financial modelling shows that:

- There are real term cuts to government grants for the sector.
- There is a reduced share of funding for those fire authorities with lower population growth and higher levels of deprivation.
- Business rates funding from growth is removed.
- Lancashire Fire and Rescue Service unfortunately may experience one of the largest cuts based on this modelling, of the 43 services Lancashire will be the sixth most affected and represents a total cut over the Spending Review period of over £7m (a reduction in the budget of £3.6m from 2028).
- There are other risks that may compound this such as an assumption that all fire authorities increase the council tax precept by the maximum allowed. This is extremely disappointing, and strong representations have been made to Government from across the sector and us.

Savings Targets

Over the period of the Medium Term Financial Strategy (MTFS) £5m of savings is required to be delivered; £0.5m in 2025/26, £1.0m in 2026/27, £1.5m in 2027/28 and 2028/29 and £0.5m in 2029/30. The £0.5m required in 2025/26 to balance the budget will be delivered by using Dynamic Resource Management (DRM), for the effective deployment of resources and effective management of overtime.

The Dynamic Resource Management policy came into effect on 1 July which provides steps which can be taken prior to using overtime to fill shortfalls, including using the fifth crew member from the Urban Search and Rescue (USAR) stations and redistributing the crew from second pumps at two pump wholetime stations where there is adequate fire cover in the area. The one-month initial review shows that the policy so far has been effective in reducing overtime costs whilst maintaining response standards. This monitoring report assumes the success of this policy will be maintained for the year and the savings will be delivered, although it is still early in the financial year.

The Productivity and Efficiency Plan for 2025/26 includes £0.572m of savings to be delivered in 2025/26; the delivery of £0.5m has been explained above. The balance of £0.072m is a balance of some smaller initiatives such as procurement savings, this will be reported through our update of progress against the plan later in the year.

Capital Budget

The revised Capital Programme for 2025/26 approved by the Resources Committee is £13.884m and to date £1.602m has been spent. A summary of the programme is set out in the table below and in more detail in Appendix 2.

Area	Budgeted Items	Budget	Year to Date
Operational Vehicles Budget	The budget includes initial costs of six large Type B pumping appliances, two smaller Type A pumping appliances. All are on target for delivery this financial year.	£2.911m	£0.0m
Other vehicles Budget	This budget allows for the replacement of various operational support vehicles including several cars, vans and a welfare unit. All are on target for delivery this financial year.	£1.284m	£0.289m
Operational Equipment Budget	This budget allows for operational equipment purchases including Breathing Apparatus, CCTV cameras for appliances, stab vests and helmets, flow meters and hose reel, cutting and extrication equipment.	£1.897m	£0.077m
Building Modifications Budget	This budget includes the continued programme of Drill Tower Replacements, upgrades to Preston and Blackpool stations.	£4.538m	£0.793m
IT systems Budget	This budget includes various projects including upgraded Firewalls, network upgrades, Retained Duty System Alerts, North West Fire Control (NWFC) Dispatch System and replacement of each protection, pooled PPE and stock management systems, and a Firefighting Robot.	£3.254m	£0.443m

A detailed review of the Capital Programme has identified areas where expenditure will slip into 2026/27, the table below sets out the main items of slippage:

Area	Slippage to 2026/27	Reason
Operational Equipment	(£0.042)	The project to replace disposable gastight suits will slip to 2026/27 due to vehicles interdependencies.
Building Modifications	(£1.190)	The Development and Land Acquisition budget of £0.840m is requested to be slipped to next year with the acquisition of land in the Preston area on hold due to the lack of availability of appropriate sites. Also £0.350m is also requested to be slipped to next year following revision of the programme.
	(£1.232)	

Financial Implications

As outlined in the report.

Legal Implications

None.

Business Risk Implications

None.

Environmental Impact

None.

Equality and Diversity Implications

None.

Human Resource Implications

None.

Local Government (Access to Information) Act 1985

List of background papers

Paper:

Date:

Contact:

Reason for inclusion in Part 2 if appropriate: N/a

Appendix 1

BUDGET MONITORING STATEMENT JULY 2025 DFM Expenditure	Revised Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance	Year to Date Variance Pay	Year to Date Variance Non-Pay	Forecast Outturn Variance O/Spend (U/Spend)	Forecast Outturn Variance Pay	Forecast Outturn Variance Non-Pay
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Service Delivery									
Service Delivery	44.231	15.688	15.798	0.110	0.098	0.012	0.195	0.155	0.040
Prevention & Protection	3.865	1.302	1.218	(0.084)	(0.110)	0.026	(0.116)	(0.115)	(0.002)
Control	2.237	1.118	1.100	(0.018)	0.000	(0.018)	0.000	0.000	0.000
Youth Engagement (inc Princes Trust)	0.022	0.242	0.272	0.030	0.002	0.028	0.023	0.025	(0.002)
Special Projects (ISAR)	0.002	0.001	(0.010)	(0.010)	0.000	(0.010)	(0.031)	0.000	(0.031)
Strategy & Planning									
Service Improvement	2.592	0.918	0.925	0.007	0.021	(0.014)	0.022	0.046	(0.025)
Training & Operational Review	4.429	1.627	1.695	0.069	0.098	(0.029)	0.225	0.241	(0.016)
Fleet & Technical Services	3.401	1.291	1.468	0.177	0.072	0.105	(0.023)	0.031	(0.054)
Digital Data and Technology (DDAT)	4.561	1.941	1.899	(0.042)	(0.032)	(0.010)	(0.049)	(0.076)	0.027
People & Development									
Human Resources	1.011	0.334	0.382	0.049	0.039	0.009	0.086	0.105	(0.019)
Occupational Health Unit	0.372	0.124	0.064	(0.060)	(0.023)	(0.037)	(0.064)	(0.064)	0.000
Corporate Communications	0.503	0.167	0.137	(0.030)	(0.019)	(0.011)	(0.057)	(0.052)	(0.006)
Safety Health & Environment	0.335	0.107	0.111	0.004	0.008	(0.004)	0.015	0.024	(0.009)
Corporate Services									
Executive Board	1.197	0.443	0.461	0.018	0.023	(0.005)	0.069	0.073	(0.005)
Central Admin Office	0.766	0.255	0.194	(0.061)	(0.051)	(0.010)	(0.098)	(0.089)	(0.010)
Finance and Procurement	1.284	0.443	0.455	0.013	(0.005)	0.017	(0.040)	(0.068)	0.028
Property	3.576	1.067	0.953	(0.113)	(0.053)	(0.061)	(0.189)	(0.149)	(0.040)
External Funding	0.000	0.004	0.000	(0.004)	0.000	(0.004)	(0.000)	0.000	(0.000)
TOTAL DFM EXPENDITURE	74.384	27.070	27.123	0.052	0.070	(0.017)	(0.034)	0.089	(0.123)
Non DFM Expenditure									
Pensions Expenditure	1.452	0.456	0.455	(0.000)	0.000	(0.000)	0.003	0.000	0.003
Other Non-DFM Expenditure	1.675	(2.074)	(2.081)	(0.007)	(0.005)	(0.002)	(0.027)	(0.015)	(0.011)
NON-DFM EXPENDITURE	3.126	(1.618)	(1.626)	(0.007)	(0.005)	(0.002)	(0.023)	(0.015)	(0.008)
TOTAL BUDGET REQUIREMENT	77.511	25.452	25.497	0.045	0.065	(0.020)	(0.057)	0.074	(0.131)
Use of Reserves	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
NET BUDGET	77.511	25.452	25.497	0.045	0.065	(0.020)	(0.057)	0.074	(0.131)

Appendix 2

Capital Budget Monitoring Month Ending 31st July 2025					
CAPITAL BUDGET 2025/26	Revised Programme as per July 25 Resources	Slippage to be approved at September resources	Revised Programme	Actual as at 31st July 2025	Projected Year End Outturn
Operational Equipment					
Operational Equipment	1.897	(0.042)	1.855	0.077	1.855
	1.897	(0.042)	1.855	0.077	1.855
Buildings Modifications					
Update Preston Facilities	0.433	-	0.433	0.052	0.433
Development & Land Acquisition	0.840	(0.840)	-	-	-
Blackpool Dormitory	0.498	-	0.498	0.402	0.498
Drill tower replacements	1.731	(0.350)	1.381	0.101	1.381
Wylfa Prop	0.175	-	0.175	0.070	0.175
Estate Improvement Provision	0.861	-	0.861	0.168	0.861
	4.538	(1.190)	3.348	0.793	3.348
ICT					
IT Systems	3.254	-	3.254	0.443	3.254
	3.254	-	3.254	0.443	3.254
Total Capital Requirement	13.884	(1.232)	12.652	1.602	12.652
Funding					
Revenue Contributions	2.500	-	2.500	1.602	1.602
Capital Reserves	11.384	(1.232)	10.152	-	11.050
Total Capital Funding	13.884	(1.232)	12.652	1.602	12.652
Fleet	4.195	0.000	4.195	0.289	4.195
Equipment	1.897	(0.042)	1.855	0.077	1.855
Property	4.538	(1.190)	3.348	0.793	3.348
ICT	3.254	0.000	3.254	0.443	3.254
	13.884	(1.232)	12.652	1.602	12.652