

Medium Term Financial Strategy

Introduction

1. The purpose of the Medium Term Financial Strategy (MTFS) is to provide the Authority, staff, the public and other stakeholders with information on the financial outlook and the estimated available funding over the next five years. The MTFS takes into account future high level, potential revenue and capital expenditure over the period based upon current known information and estimates.
2. The MTFS forms part of our financial strategies, they are part of our strategic planning activity and governance framework which sets out the direction of the Service and how we will achieve our aim of making Lancashire safer. These financial strategies are one of six core strategies that set out how we will provide services in line with the following priorities in our five-year Community Risk Management Plan (CRMP):
 - Valuing our people so they can focus on making Lancashire safer.
 - Preventing fires and other emergencies from happening.
 - Protecting people and properties when fires happen.
 - Responding to fires and other emergencies quickly and competently.
 - Delivering value for money in how we use our resources.

The Budget Strategy

3. The purpose of the budget strategy is to provide a basis for determining:
 - The level of funding available in the future to deliver national and local priorities.
 - The future demands upon the revenue budget.
 - The impact of external factors.
 - The financial implications of collaborations and partnerships.
 - The amount of capital investment which is required to achieve corporate objectives.
 - The revenue consequences of such capital investment.
 - The future reserve levels.
 - The impact of additional demands on the level of council tax that is required.
 - The potential impact of the main financial risks facing the organisation.
4. The above helps to establish the anticipated level of funding and demands on finances over the MTFS period enabling strategic financial planning processes

to address the challenges and outcomes. The following sets out the key principles for that planning process:

- Ensure that plans contribute to improved outcomes in support of set priorities within the Community Risk Management Plan (CRMP).
- Set a comprehensive, timely, balanced and realistic budget.
- Take into account pay and price inflation and achievability of savings.
- Ensure compliance with the approved capital strategy.
- Ensure compliance with the approved reserves strategy.
- Ensure compliance with the approved treasury management strategy.
- Raise awareness of and communicate key financial messages both internally and externally.
- Ensure budgets set are affordable and do not jeopardise financial stability either in the short or long term.
- Demonstrate that all spending plans achieve value for money.
- Agree spending only when the necessary funding is identified and approved.
- Seek external funding wherever it can be used in a sustainable manner that does not lead to unforeseen costs.
- Publicise significant budget proposals and where appropriate consult with key stakeholders.

Financial Scenario

5. It is imperative that the MTFs takes account of the local, regional, national and global economies. This provides a basis for the estimates and assumptions used.
6. The Authority receives its main funding from three sources – Government grants, business rates and local council tax (known as a precept). Council Tax and Business Rates represents 75% of our funding.
7. Funding for the fire sector has changed in the last 15 years. The 2008 banking crisis was followed by a period of austerity in the sector. As government grants fell sharply after 2010, the fire and rescue sector was forced to adapt through a combination of workforce, operational, and financial measures. Nationally, firefighter numbers were reduced significantly, with England losing around 25% of its wholtime firefighters since 2008. In addition, latest comparison figures for On-call firefighter (full time equivalent) numbers show a decline from 10,768 in March 2014 to 7,967 in March 2024, representing a 26% reduction across England. Changes to the funding methodology during this period also meant that changes in the economy, that impact on benefits claimant numbers or business rates, now impact on funding levels.

8. Funding for capital schemes has also changed over this period, with the sector now almost exclusively funding new capital schemes from local sources of funding such as revenue contributions, reserves, capital receipts and borrowing (that is repaid from revenue budgets). During this period Lancashire Fire and Rescue Service (LFRS) has funded its capital schemes primarily from revenue resources and has not utilised any borrowing, unlike most of the fire and rescue services.

Fair Funding Review

9. In June of 2025 the Spending Review set out government budgets for the next three years, confirmed a full reset of business rates baselines from April 2026 and a review of the Funding Formula which allocates funding amongst each fire authority; the Fair Funding Review (FFR) consultation, launched with the spending review, updated the funding formula for the first time since 2013. Initial assessments undertaken on behalf of the National Fire Chiefs Council (NFCC) identified cuts for the sector and within those significant cuts for LFRS; between £3 million and £4 million were modelled.
10. All Fire and Rescue Services (FRSs) resource to risk which is driven by a range of other risks, most notably deprivation. Yet the new funding review, rather than increasing funding to match increasing risk, proposed to simply redistribute funding towards areas with higher population growth. There is a perversity in the result, LFRS potentially experiencing one of the largest cuts in its share of funding and yet with some of the highest levels of deprivation.
11. Following a period of significant lobbying both nationally and locally through MPs, locally elected members and the Fire Brigades Union (FBU), Government protections were put in place to ensure no FRS lost funding providing a Council Tax increase of £5 is agreed by the respective authorities for each of the next 3 years; note the £5 precept in each year 2026/27, 2027/28 and 2028/29 has been assumed in the MTFS. There was also a promise of a fundamental review of the funding formula for the next Spending Review, effective from April 2029.
12. Whilst the £5 precept flexibility is welcome and recognises the need in the sector, it is unfortunately offsetting Government grant cuts rather than an opportunity to invest in the Service.

Provisional Settlement

13. The Provisional Settlement announced in mid-December 2025 provided estimated funding levels for the next three years from 2026/27. Revenue funding levels in the provisional settlement, alongside local planning assumptions suggest that funding levels will be broadly in line with the previously set MTFS for 2026/27; an increase of circa 3%. Whilst this is an improvement compared to earlier Spending Review planning assumptions, due to higher than budgeted inflation in 2025, 3.8% actual in September compared to 2% assumed in the MTFS, the settlement will represent a real term cut.

Unfortunately, no capital grant funding was provided again for in the provisional settlement.

Council Taxbase

14. Council Tax income is based on the precept approved by the Authority and the estimated taxbase; this is the number of Band D equivalent properties in the area. Factors influencing the taxbase include changes to property numbers, collection rates in each local authority, local authority discounts and changes in benefit claimants. The estimated taxbase for 2026/27 increased by 0.83% compared with an average of 1.54% over the previous three years, consequently having another negative impact on the Authority's funding. If the taxbase continues at this level, below the national average, the Authority's revenue resources will continue to decline.
15. The 2026/27 budget proposals are based on the latest funding assumptions set out in this report and a maximum increase in the council tax precept allowed of £5 at Band D, this is assumed to give Total Council Tax Funding of £45 million. The net expenditure budget takes account of general inflation, assumed pay awards, previous commitments, required permanent and one-off increases and decreases in resources to give a net budget requirement of £80.5 million. In 2026/27 there is a small surplus of £0.294 million which will be earmarked to meet in year pressures and future deficits on the collection fund. Appendix 3 includes the adjusted precept from each collection authority.
16. The proportion of the budget that is now funded by Council Tax has increased again as the percentage of funding from other sources such as government grants reduces.

MTFS Key Financial Assumptions

17. Some of the key financial assumptions and estimates in the five year MTFS are set out below:

| Key Assumptions | 26/27 | 27/28 | 28/29 | 29/30 | 30/31 |
|--|--------------|--------------|--------------|--------------|--------------|
| Uniform Pay Award (Apr - Jun) | 3.2% | 4% | 2% | 2% | 3% |
| Uniform Pay Award (Jul - Mar) | 4% | 2% | 2% | 2% | 2% |
| Non-uniform Pay Award | 4% | 2% | 2% | 2% | 2% |
| General inflation | 3.8% | 2.0% | 2.0% | 2.0% | 2.0% |
| Establishment (after reduction of 28 posts reducing wholtime crewing levels from 13 to 12) | 608 | 608 | 608 | 608 | 608 |
| Council Taxbase percentage increase | 0.83% | 1.25% | 1.25% | 1.25% | 1.25% |
| Council Tax Precept increase £ | £5 | £5 | £5 | £2.09 | £2.14 |
| Council Tax precept percentage increase | 5.57% | 5.28% | 5.01% | 2.00% | 2.00% |

Appendix A

- Inflation – The pay awards for 2026/27 are estimated at 4% then 2% thereafter. Non-pay budgets have increased by the September Office of Budget Responsibility (OBR) Consumer Price Index (CPI) figures; 3.8% in 2026/27 and 2% thereafter. Income earned on investments is expected to reduce as cash balances reduce and interest rates reduce from 3.7% to 3% over the period of the MTFS.
 - Commitments – The MTFS includes for increases in revenue contributions to Capital, rising from £3.500 million in 2026/27 to £4.592 million by 2029/30, thus ensuring the capital programme is financially sustainable in the long term. Whilst a comprehensive review of the Capital programme has taken place, and asset life extended where possible, significant inflationary pressures for vehicles, property and ICT means that without dedicated central government capital grants, revenue to capital contributions must increase.
 - Increases in Resourcing - The 2026/27 increase reflects the loss of the National Insurance grant; Government have confirmed this has been rolled into Grants now. Increases thereafter relate to borrowing repayment and interest costs to fund the major projects in the capital programme; by the end of the capital programme total borrowing costs are forecast at £4.1 million per annum.
 - Decreases in Resourcing - are required to balance the budget. In 2026/27 £1.8 million of savings will be realised from the optimising crewing changes; reducing wholtime crewing levels from 13 to 12 (on 2 pump Wholtime, Flexible Day Crewed and Day Crewing Plus stations [excluding Urban Search and Rescue (USAR) units]) as the next step in meeting financial challenges, improving efficiency, and aligning Lancashire with sector-equivalent crewing models. New savings are required from 2027/28 of £1 million per annum, each year through to 2030/31; so by 2030/31 cumulatively £4 million of recurring savings will be required to balance the budget.
 - Funding – Detailed assumptions are included in the MTFS, in broad terms the funding is expected to increase between 2% to 3% however, the outcome of the next spending review and review of the funding formula is likely to impact on these assumptions which is expected to be determined during late 2028. This year there is a small surplus on the business rates collection fund of £0.151 million which will be earmarked to meet in year pressures and future deficits on the collection fund.
18. The summary MTFS is set out below and in more detail in Appendix 1 and 2 of this report.

| Revenue MTFS | 26/27 £ million | 27/28 £ million | 28/29 £ million | 29/30 £ million | 30/31 £ million |
|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Base Budget | 77.511 | 80.525 | 82.804 | 84.999 | 87.351 |
| Add: | | | | | |
| Inflation | 3.176 | 2.162 | 2.027 | 2.046 | 2.013 |
| Commitments | 1.305 | 0.817 | 0.157 | (0.026) | (0.096) |
| Increases in Resourcing | 0.571 | 0.143 | 0.932 | 1.507 | 1.553 |
| One-off items | (0.194) | 0.158 | 0.079 | (0.175) | (0.050) |
| Decreases in Resourcing | (1.844) | (1.000) | (1.000) | (1.000) | (1.000) |
| Net Budget | 80.525 | 82.804 | 84.999 | 87.351 | 89.770 |
| | | | | | |
| Council Tax | (45.064) | (48.036) | (51.075) | (52.747) | (54.475) |
| Business Rates | (15.481) | (15.843) | (16.169) | (16.493) | (16.822) |
| Revenue Support Grant | (19.980) | (18.925) | (17.755) | (18.111) | (18.473) |
| Funding | (80.525) | (82.804) | (84.999) | (87.351) | (89.770) |

19. The MTFS is aligned to our CRMP, we review all our activities alongside the CRMP to ensure our resources support delivery of the CRMP priorities. An indicative overview of our budget alongside the CRMP priorities is set out below:

| CRMP Priorities | % |
|---|------------|
| Responding to fires and other emergencies | 73 |
| Preventing fires | 12 |
| Protecting people and property | 9 |
| Valuing our people | 6 |
| | 100 |

20. We do not allocate any of our activities specifically to delivering value for money as we aim to achieve this priority in everything we do as a service.

MTFS Risks and Scenarios

21. The following significant financial risks have been identified and assessed by the Director of Corporate Services, and he feels these are adequately covered within the budget estimates presented or within the level of reserves currently held:
- Reduction in Business Rate funding following the reset of business rates due in 2026/27.
 - Adverse impact for the Fire Sector following the three-year Spending Review that is due for completion in late 2028.
 - Adverse impact for LFRS following the review of the Funding Formula.
 - Non delivery of savings required in the MTFS.
 - Changes to the Business Rates Retention Scheme.
 - Adverse changes because of the implementation of the Fair Funding Review.
 - Reduction in Council Tax funding.

- Higher than anticipated inflation.
- Larger increases in pension costs.
- Significant changes to retirement profiles.
- Increase in demand led pressures.
- Higher insurance claims.
- Higher interest rates assumed for borrowing.

22. The key budget risks are quantified below in a worst case scenario:

| Budget Scenarios | 26/27 £ million | 27/28 £ million | 28/29 £ million | 29/30 £ million | 30/31 £ million |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| General Reserve | 6.0 | 5.5 | 3.9 | 1.9 | (1.8) |
| Quantified major risks | | | | | |
| - 1% higher pay award | (0.5) | (0.6) | (0.6) | (0.6) | (0.6) |
| 1 year delay in delivery of savings | 0.0 | (1.0) | (1.0) | (1.0) | (1.0) |
| 2% increase in borrowing rates | 0.0 | (0.1) | (0.3) | (0.7) | (1.0) |
| - 5% reduction in funding following Spending review and review of funding formula (assume phased in over 3 years) | 0.0 | 0.0 | 0.0 | (1.5) | (3.0) |
| Subtotal | (0.5) | (1.7) | (1.9) | (3.7) | (5.5) |
| Revised General Fund Balance | 5.5 | 3.9 | 1.9 | (1.8) | (7.3) |

23. The analysis shows that whilst the general reserve is sufficient to meet all the worst-case risks in the next three years, with reliance on earmarked reserves, major structural changes would be required alongside government support beyond year three of the MTFs.

Indicative Capital Programme

24. The Authority has a ten year capital programme, from 2026/27 to 2035/36. This reflects the Authority's capital aspirations in the Fleet, Estates and ICT strategies. The first five years of the strategy are set out below. Work is ongoing to refine the later years of the programme (from years 6 to 10), with detailed condition surveys across our estate.
25. The table below shows the Authority's first five years of the Capital Programme and how it is anticipated that it will be funded.

Appendix A

| Capital Programme | 2026/27 £ million | 2027/28 £ million | 2028/29 £ million | 2029/30 £ million | 2030/31 £ million |
|--------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Vehicles | 4.046 | 2.933 | 2.650 | 3.455 | 2.338 |
| Operational Equipment | 1.753 | 0.174 | 0.123 | 0.523 | 0.109 |
| Buildings | 1.066 | 5.600 | 14.600 | 18.500 | 18.500 |
| ICT | 2.376 | 1.200 | 0.333 | 0.723 | 1.853 |
| Inflation | 0.000 | 0.106 | 0.166 | 0.349 | 0.437 |
| | 9.241 | 10.012 | 17.873 | 23.550 | 23.236 |
| Funding | | | | | |
| Revenue Contributions | 3.500 | 4.500 | 4.500 | 4.569 | 4.592 |
| Capital Reserve | 5.741 | 0.912 | (0.227) | 1.481 | 1.144 |
| Capital Receipts | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Borrowing | 0.000 | 4.600 | 13.600 | 17.500 | 17.500 |
| | 9.241 | 10.012 | 17.873 | 23.550 | 23.236 |

26. Full details of the 10 year capital programme and its associated funding are included in the Capital Strategy. In addition, given the above funding proposals includes borrowing, the impact of this is discussed in more detail within the Treasury Management Strategy.

Analysis of Budget

| | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 |
|--|---------------|---------------|---------------|---------------|---------------|
| | £ million | £ million | £ million | £ million | £ million |
| Starting Base Budget from previous year | 77.511 | 80.525 | 82.804 | 84.999 | 87.351 |
| Unfunded pay award from previous year | 0.100 | 0.000 | 0.000 | 0.000 | 0.000 |
| Uniform Pay Award (April - June) | 0.374 | 0.509 | 0.260 | 0.267 | 0.271 |
| Uniform Pay Award (July - March) | 1.527 | 0.790 | 0.809 | 0.823 | 0.838 |
| Non-uniform Pay Award | 0.444 | 0.227 | 0.232 | 0.237 | 0.241 |
| General inflation | 0.583 | 0.271 | 0.491 | 0.319 | 0.436 |
| Investment income changes | 0.149 | 0.364 | 0.235 | 0.400 | 0.226 |
| Vacancy Factor Adjustments | 0.191 | (0.061) | 0.157 | (0.095) | (0.120) |
| Other Commitments | 0.114 | (0.122) | (0.000) | (0.000) | 0.000 |
| Revenue Contributions to Capital | 1.000 | 1.000 | 0.000 | 0.069 | 0.024 |
| Capital Financing Costs | 0.000 | 0.143 | 0.932 | 1.507 | 1.553 |
| Other growth items | 0.571 | 0.000 | 0.000 | 0.000 | 0.000 |
| One off pressures | (0.194) | 0.158 | 0.079 | (0.175) | (0.050) |
| Savings | (1.844) | (1.000) | (1.000) | (1.000) | (1.000) |
| Final Base Budget | 80.525 | 82.804 | 84.999 | 87.351 | 89.770 |

Analysis of Revenue Budget by Service Area

| | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 |
|--|------------------|------------------|------------------|------------------|------------------|
| | £ million |
| Service Delivery | 45.129 | 46.176 | 47.286 | 48.182 | 49.270 |
| Leadership and Development | 4.839 | 4.890 | 5.126 | 5.165 | 5.116 |
| Digital, Data and Technology (DDAT) | 4.630 | 4.721 | 4.813 | 4.907 | 5.002 |
| Prevention and Protection | 4.192 | 4.298 | 4.389 | 4.481 | 4.576 |
| Fleet and Engineering Services | 3.790 | 3.868 | 3.945 | 4.024 | 4.104 |
| Property | 3.450 | 3.519 | 3.589 | 3.661 | 3.734 |
| Service Development | 2.744 | 2.807 | 2.863 | 2.920 | 2.978 |
| Control | 2.378 | 2.426 | 2.474 | 2.524 | 2.574 |
| Overheads | 2.113 | 2.758 | 3.035 | 3.867 | 4.652 |
| Pensions | 1.507 | 1.531 | 1.555 | 1.580 | 1.606 |
| Finance and Procurement | 1.340 | 1.364 | 1.389 | 1.415 | 1.441 |
| Executive | 1.256 | 1.285 | 1.310 | 1.336 | 1.363 |
| Human Resources | 1.095 | 1.117 | 1.139 | 1.162 | 1.185 |
| Administration | 0.798 | 0.814 | 0.830 | 0.847 | 0.864 |
| Corporate Communications and Democratic Services | 0.507 | 0.459 | 0.468 | 0.477 | 0.486 |
| Occupational Health | 0.390 | 0.397 | 0.405 | 0.413 | 0.422 |
| Safety, Health and Environment | 0.343 | 0.350 | 0.357 | 0.364 | 0.371 |
| Special Projects | 0.025 | 0.025 | 0.025 | 0.026 | 0.026 |
| Total | 80.525 | 82.804 | 84.999 | 87.351 | 89.770 |

Precept on Collection Fund

| | Number of Band D Equivalents | Precept on Collection Fund | Surplus / (Deficit) | Total |
|---------------------------------------|---|---|--------------------------------|-------------------|
| Burnley Borough Council | 24,497.00 | 2,320,601 | 1,234 | 2,321,835 |
| Chorley Borough Council | 39,157.93 | 3,709,431 | (9,567) | 3,699,864 |
| Fylde Borough Council | 33,067.00 | 3,132,437 | 2,752 | 3,135,189 |
| Hyndburn Borough Council | 22,183.00 | 2,101,396 | 16,707 | 2,118,103 |
| Lancaster City Council | 43,832.69 | 4,152,271 | 8,945 | 4,161,215 |
| Pendle Borough Council | 25,164.44 | 2,383,827 | 137,107 | 2,520,934 |
| Preston City Council | 45,222.90 | 4,283,965 | (6,524) | 4,277,441 |
| Ribble Valley Borough Council | 25,853.00 | 2,449,055 | 18,254 | 2,467,309 |
| Rossendale Borough Council | 21,350.00 | 2,022,486 | 17,328 | 2,039,814 |
| South Ribble Borough Council | 38,816.17 | 3,677,056 | 30,938 | 3,707,994 |
| West Lancashire District Council | 38,756.88 | 3,671,439 | (41,139) | 3,630,300 |
| Wyre Borough Council | 40,088.94 | 3,797,625 | 73419 | 3,871,045 |
| Blackburn with Darwen Borough Council | 38,246.03 | 3,623,046 | 135,627 | 3,758,673 |
| Blackpool Council | 39,477.00 | 3,739,656 | (90,562) | 3,649,094 |
| Total | 475,712.98 | 45,064,291 | 294,518 | 45,358,815 |