ANNUAL TREASURY MANAGEMENT REVIEW

End of year review reflecting performance in 2025/26 and the position as at 31 March 2026.

RoyalBerksFRS @RBFRSOfficial RoyalBerkshireFire
Royal Berkshire Fire & Rescue Service www.rbfrs.co.uk

Introduction

The Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2025/26. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2025/26 the minimum reporting requirements were that the full Fire Authority should receive the following reports:

- an annual treasury strategy in advance of the year (Fire Authority 19/02/2025)
- a mid-year (minimum) treasury update report (Fire Authority 25/11/2025)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Authority's policies previously approved by Members.

The Authority's Capital Expenditure and Financing

The Authority undertakes capital expenditure on long-term assets. These activities may either be:

- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which have no resultant impact on the Authority's borrowing need; or
- if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

Actual capital expenditure forms one of the required prudential indicators. The table below shows actual capital expenditure and how this was financed.

	2024/25 Actual (£000's)	2025/26 Budget (£000's)	2025/26 Actual (£000's)
Capital Expenditure	5,712	5,583	3,763
Financed in year	5,712	5,583	3,763
Unfinanced capital expenditure	0	0	0

Actual expenditure was less than budget at year end principally due the heat decarbonisation works taking slightly longer than anticipated and delays in implementing the IT network refresh project.

The Authority's Overall Borrowing Need

The Authority's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Authority should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2024/25) plus the estimates of any additional capital financing requirement for the current (2025/26) and next two financial years. This essentially means that the Authority is not borrowing to support revenue expenditure. This indicator allows the Authority some flexibility to borrow in advance of its immediate capital needs in 2026/27. The table below highlights the Authority's gross borrowing position against the CFR. The Authority has complied with this prudential indicator.

	2024/25 Actual (£000's)	2025/26 Budget (£000's)	2025/26 Actual (£000's)
Gross Borrowing position	8,922	8,922	8,582
CFR	9,200	10,077	8,657

There was no new borrowing in 2025/26.

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Authority does not have the power to borrow above this level. The table below demonstrates that during 2025/26 the Authority has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Authority during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached. The Authority has complied with this indicator.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs), against the net revenue stream. The actual ratio for 2025/26 was 1.6%, which was within the maximum ratio set by the Authority.

	2025/26 (£000's)
Authorised Limit	13,752
Maximum gross borrowing position	8,922
Operational boundary	11,752
Maximum Ratio of Financing costs as a proportion of net revenue stream	3%

Treasury Position as at 31 March 2026

At the beginning and the end of 2025/26, the Authority 's treasury position was as follows:

	1st April 2026 Principal (£000's)	**Rate / Return**	**Average Life (Yrs)**		**31st March 2026 Principal (£000's)**	**Rate / Return**	**Average Life (Yrs)**
Debt:							
Fixed Rate Funding							
- PWLB	8,922	3.7%	7.7		8,528	3.7%	6.8
CFR	9,200				8,657		
Over / (Under) borrowing	(278)				(129)		

The maturity structure of the debt portfolio was as follows:

	31st March 2025 Actual (£000's)	**31st March 2026 Actual (£000's)**
Under 12 months	394	0
12 months and within 24 months	0	597
24 Months and within 5 Years	2,278	2,781
5 Years and within 10 years	1900	800
10 Years and within 20 Years	1,350	1,350
20 Years and within 30 Years	3,000	3,000
Total	**8,922**	**8,528**

The Strategy for 2025/26

Investment strategy and control of interest rate risk

Investment returns remained robust throughout the course of 2025/26 with Bank Rate reducing steadily through the course of the financial year with three 0.25% rate cuts in total.

Bank Rate reductions of 0.25% occurred in May, August, and December, bringing the headline rate down from 4.5% to 3.75%. Two of the Bank Rate cuts occurred in the same month as the Bank of England publishes its Quarterly Monetary Policy Report, therein providing a clarity over the timing of potential future rate cuts.

During 2025/26, the Authority was able to achieve returns in a range of 3.5% - 4.15% in the spring of 2025 but by March 2026 deposit rates were somewhat volatile, as the Middle East conflict suggested energy driven inflation would lead to higher interest rates than would otherwise have been the case.

While the Authority has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis in 2008/09. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

Borrowing strategy and control of interest rate risk

During 2025/26, the Authority had an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Authority's reserves, balances and cash flow was used as an interim measure.

The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this has been kept under review to avoid incurring higher borrowing costs in the future when this Authority may not be able to avoid new borrowing to finance capital expenditure and / or the refinancing of maturing debt.

Investment Outturn

Investment Policy – the Authority's investment policy is governed by the Ministry of Housing, Communities & Local Government's investment guidance, which has been implemented in the annual investment strategy approved by the Fire Authority on 19 February 2025. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Authority had no liquidity difficulties.

Investments held by the Authority –the Authority had investments totalling £9.57m at the end of 2025/26, The Authority regularly reviews its cash flow requirements over the forthcoming period to ensure liquidity, whilst also looking to maximise return by investing sums for longer periods where possible. The Authority placed a number of fixed term deposits throughout the year to maximise return. Arrangements for immediate access investments were also reviewed, and funds were placed with several counterparties to take advantage of the enhanced rates that were on offer as the year progressed.

Borrowing Outturn

The Authority's debt position at the end of 2025/26 was £8.528 million. No debt rescheduling was undertaken.

RoyalBerksFRS @RBFRSOfficial RoyalBerkshireFire

Royal Berkshire Fire & Rescue Service www.rbfrs.co.uk