TREASURY MANAGEMENT UPDATE

Mid-year review reflecting performance and the position as at 30 September 2026

Introduction

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021). The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.

2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.

3. Receipt by the full Fire Authority of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.

4. Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

• An economic update for the first part of the 2026/27 financial year;

• A review of the Treasury Management Strategy Statement and Annual Investment Strategy;

• The Authority's capital expenditure, as set out in the Capital Strategy, and prudential indicators;

• A review of the Authority's investment portfolio for 2026/27.

• A review of the Authority's borrowing strategy for 2026/27.

• A review of any debt rescheduling undertaken during 2026/27.

• A review of compliance with Treasury and Prudential Limits for 2026/27.

In December 2021, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. These require all local authorities to prepare a Capital Strategy which is to provide the following: -

• a high-level overview of how capital expenditure, capital financing and treasury management activities contribute to the provision of services;

• an overview of how the associated risk is managed;

• the implications for future financial sustainability.

A report setting out our Capital Strategy is presented to Fire Authority annually as part of the budget setting papers each February.

The Authority operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning to ensure the Authority can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Authority risk or cost objectives.

Accordingly, treasury management is defined as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Economic Update

The last section of this report provides an update on the global outlook and provides current projections for interest rates. At its meeting ending on 29 July 2026, the Monetary Policy Committee (MPC) voted by a majority of 6-3 to maintain the Bank Rate at 3.75%, with three members voting for an increase of 0.25 percentage points to 4.00%.

The MPC reaffirmed this position at its subsequent meeting on 17 September 2026, again voting by a majority of 6-3 to keep the Bank Rate unchanged at 3.75%.

Changes in the Bank Rate, as determined by the MPC, impact the Authority in two main respects. Firstly, the returns we receive from our investment portfolio are directly influenced by the Bank Rate. When the rate is lowered, the investment returns available to us are likely to decline as well.

Similarly, the borrowing rates accessible to us will also mirror any adjustments in the Bank Rate.

Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy and the Annual investment Strategy for 2026/27 were approved by Fire Authority on 23 February 2026. There are no changes to either strategy.

The Authority's Capital Position and Prudential Indicators

This part of the report is structured to update:

• the Authority's capital expenditure plans;

• how these plans are being financed;

• the impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and

•compliance with the limits in place for borrowing activity.

The table below shows the expected outturn for 2026/27, and the spend to the end of September 2026.

Capital Expenditure	**2026/27 Expected Outturn (£000's)**	**Actual costs as at 30 September 2026 (£000's)**
Property	1,951	213
Fleet & Equipment	661	82
ICT	1,296	36
TOTAL	**3,908**	**331**

While expenditure in the first half of the year is low compared to budget, major projects that are now underway will lead to substantially increased expenditure over the coming months.

Limits to Borrowing Activity

A key control over treasury activity is the prudential indicator that ensures that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2026/27 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Authority is complying with this prudential indicator. Debt positions for 2026/27 are shown below.

	2026/27 Original Estimate at year end (£000's)	**Position as at 30 September 2026 (£000's)**	**2026/27 Revised Estimate (£000's) at year end**
Debt	10,528	8,528	10,528

To date, no new external borrowing arrangements have been entered into during 2026/27, and there has been no repayments of debts.

A further prudential indicator sets the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised Limit for External Debt	**2026/27 Original Estimate (£000's)**	**Position as at 30 September 2026 (£000's)**	**2026/27 Revised Estimate (£000's)**
Debt	12,536	12,536	12,536
Other long-term liabilities	500	500	500
Total	**13,036**	**13,036**	**13,036**

Investment Portfolio

The CIPFA Treasury Management Code of Practice sets out the Authority's investment priorities as being security of capital, liquidity and yield. The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, which is consistent with the Authority's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the suggested creditworthiness approach provided by our treasury advisors.

The stability of Bank Rate during 2026 has provided the Authority with opportunities to secure improved investment returns. The Authority, in consultation with the treasury advisers, has utilised fixed-term deposits with suitable counterparties where appropriate, ensuring that investment decisions remain consistent with the principles of security, liquidity and yield set out within the Treasury Management Strategy.

The Authority continues to closely monitor liquidity needs and all fixed-term deposits mature in the current financial year to provide flexibility where needed.

The Authority held investments totalling £12.234 million as at 30 September 2026.

	30 Sept 2026 Principal (£000's)	**Average Rate / Return**
Total Investments	12,234	3.63%

The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first 6 months of 2026/27.

The interest earnings budget for 2026/27 stands at £372,000. The continued stability of Bank Rate at a relatively elevated level contributed positively to investment returns during the period. Interest earned amounted to £97,153 in Quarter 1 and £100,409 in Quarter 2, resulting in total investment income of £197,562 year to date from the investments above.

Borrowing Strategy

The Authority's capital financing requirement (CFR) estimate for 2026/27 is £10.3 million. The CFR denotes the Authority's underlying need to borrow for capital purposes. If the CFR is positive the Authority may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

Debt Rescheduling

No debt rescheduling has been undertaken to date in the current financial year.

Economic Update

The Bank of England maintained Bank Rate at 3.75%. However, at its September meeting, the Monetary Policy Committee (MPC) indicated that a further increase in Bank Rate may be considered in November or December should tension in the Middle East remain unresolved.

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