


Report to	Audit Committee	
Date	15 June 2026	
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer	
Contact Officer	Elgan Roberts, Head of Finance and Procurement	
Subject	Treasury Management Outturn Report 2025/26	

PURPOSE OF REPORT

- 1 The purpose of this report is to provide Members of the North Wales Fire and Rescue Authority (the Authority) with an update on the treasury management activity and compliance with the treasury management prudential indicators for the period 1 April 2025 – 31 March 2026.

EXECUTIVE SUMMARY

- 2 In December 2003, the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice (2021)* (the CIPFA Code) which requires the Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.
- 3 The CIPFA Code also included a new requirement for quarterly reporting of the treasury management indicators from April 2023. The non-treasury prudential indicators are incorporated in the Authority's normal revenue and capital monitoring report.
- 4 The Authority's treasury management strategy for 2025/26 was approved at a meeting on 28 April 2025. As the Authority borrows and invests significant sums of money there are financial risks that need to be considered, including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.
- 5 During the year, the Authority's borrowing and investments remained well within the limits originally set. There were no new defaults by banks in which the Authority deposited money.

RECOMMENDATIONS

- 6 Members are asked to:
 - i) **Note the treasury management activities and prudential indicators for the period 1 April 2025 to 31 March 2026.**

EXTERNAL CONTEXT

- 7 The financial year was characterised by heightened global uncertainty, primarily driven by the introduction of US trade tariffs “Liberation Day” in April 2025 and the outbreak of conflict between the US/Israel and Iran in February 2026. Initial market reactions to the tariffs were negative; however, conditions stabilised in the following months with improvements in equity markets and some easing in bond yields. In the UK, this stability was tempered by ongoing concerns regarding the economic outlook and the government’s fiscal position, leading to increased gilt yields as investors sought higher returns.
- 8 The UK Autumn Budget was less expansive than anticipated, which provided some reassurance to markets. This contributed to a period of falling gilt yields, moderating inflation, and increased expectations of Bank of England (BoE) interest rate reductions. Prior to the escalation of geopolitical tensions, inflation had been on a downward path, with CPI at 3% in February 2026. However, the conflict significantly disrupted this trend, driving increases in oil and commodity prices and creating renewed uncertainty around the inflation outlook.
- 9 Economic growth in the UK remained weak throughout the period, with only marginal quarterly increases and no growth recorded in January 2026. Labour market conditions showed signs of softness, with a slight rise in unemployment and stable employment levels. While inflationary pressures are expected to increase in the short term, subdued labour market conditions are likely to limit wage growth, reducing the risk of sustained inflationary pressures from earnings.
- 10 Monetary policy became increasingly uncertain as the year progressed. The BoE maintained Bank Rate at 3.75% following earlier reductions, with policy direction dependent on the evolving balance between inflation and growth risks. Global central banks adopted similarly cautious approaches: the US Federal Reserve paused rate changes after earlier reductions, while signaling possible future cuts, and the European Central Bank held rates while revising its outlook to reflect higher inflation risks and weaker growth prospects. Current expectations suggest interest rates may remain stable in the short term, with potential upward or downward adjustments depending on economic developments.

- 11 Financial markets remained volatile throughout the year. Following an initial recovery from tariff-related declines, equity markets fell sharply towards year-end due to the geopolitical conflict, with UK indices declining significantly. Bond yields experienced notable fluctuations, and while credit conditions tightened during periods of stress, key indicators remained within acceptable limits. Ongoing volatility is expected, and credit risk will continue to be closely monitored in line with treasury management practices.

LOCAL CONTEXT

- 12 On 31 March 2026, the Authority had net borrowing of £15.76m arising from capital expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in [Table 1](#) below.

Table 1: Balance Sheet Summary

	31.03.25 Actual £m	31.03.26 Actual £m
General Fund CFR	31.01	26.86
External borrowing	-19.07	-15.76
Internal borrowing	11.94	11.10
Less: Balance sheet resources	-14.46	-14.46
Less: New Investments	2.52	3.36
New borrowing	0.00	0.00

- 13 Table 1 confirms that the Authority's net borrowings were below the Capital Financing Requirement (CFR). The treasury management position at 31 March and the change during the year is shown in [Table 2](#) below.

Table 2: Treasury Management Summary

	31.3.25 Balance	Movement	31.03.26 Balance	31.03.26 Rate
	£m	£m	£m	%
Long-term borrowing	8.46	3.22	11.68	2.81 - 4.80
Short-term borrowing	10.61	-6.53	4.08	2.81 - 6.35
Total borrowing	19.07	-3.31	15.76	
Short-term investments	0.00	0.00	0.00	
Cash and cash equivalents	-2.52	-1.10	-3.62	3.00 - 3.51
Total investments	-2.52	-1.10	-3.62	
Net borrowing	16.55	-4.41	12.14	

BORROWING STRATEGY AND ACTIVITY

- 14 As outlined in the treasury strategy, the Authority's main objective when borrowing has been to adopt a low-risk strategy balancing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 15 The PWLB certainty rate for 10-year maturity loans was 5.38% at the beginning of the period and 5.72% at the end. The lowest available 10-year maturity certainty rate was 5.13% and the highest was 5.88%. Rates for 20-year maturity loans ranged from 5.71% to 6.37% during the period, and 50-year maturity loans from 5.46% to 6.24%. The cost of short-term borrowing from other local authorities has been similar to or a little above Base Rate for most of the period, with interest rates between 4.0% and 4.5%. However, as is commonly seen, rates rose higher towards the end of the financial year, with rates of 5.0% - 7.0% being seen.
- 16 CIPFA's 2021 Prudential Code outlines that local authorities must not borrow to invest with the primary objective being financial return. It is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement requiring new borrowing, unless directly and primarily related to the functions of the Authority.
- 17 The Authority has not invested in assets for financial return and all expenditure is related to the discharge of the Authority's functions.
- 18 As of 31st March 2026, the Authority held £15.76m of loans, a decrease of £3.31m compared to 31st March 2025. A summary of outstanding loans as of 31st March is provided in [Table 3A](#) below.

Table 3A: Borrowing Position

	31.3.25 Balance £m	Net Movement £m	31.03.26 Balance £m	31.03.26 Weighted Average Rate %	31.03.26 Weighted Average Maturity (years)
Public Works Loan Board	14.073	-0.317	13.756	4.110	7.840
Local authorities (short-term)	5.00	-3.00	2.000	6.350	0.067
Total borrowing	19.07	-3.317	15.756		

- 19 The Authority took out two short term local authority loans, £5M in December 24 which was repaid in August 25 and £2M in March 26 repayable in April 26. It took out further loans with the PWLB, £2M in August 25 repayable by 2030, £1M in October 25 repayable by 2035, £1M in January 26 repayable 2033 and £1.5m in March 26 repayable 2038. All other short-term loans are held with the PWLB. Further borrowing will be required in the year 2026/27.

Table 3B: Long-dated Loans borrowed

	Amount £m	Rate %	Period (Years)
PWLB Maturity Loan	2.00	4.80	27
PWLB EIP Loan	0.55	3.09	12
PWLB EIP Loan	3.89	3.91	15
PWLB EIP Loan	0.90	4.80	10
PWLB EIP Loan	0.86	4.58	7
PWLB EIP Loan	1.38	4.80	12
PWLB EIP Loan	0.30	2.81	2
PWLB EIP Loan	0.40	4.31	3
PWLB EIP Loan	1.40	4.61	4
Total borrowing	11.68		

- 20 The Authority's borrowing decisions are not predicated on any one outcome for interest rates and seeks to maintain a balanced portfolio of short- and long-term borrowing.

TREASURY MANAGEMENT INVESTMENT ACTIVITY

- 21 The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 22 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £0.63m and £13.73m. The investment position is shown in [Table 4](#) below.

Table 4: Treasury Investment Position

	31.3.25		31.03.26	31.03.26	31.03.26
	Balance	Net Movement	Balance	Income Return	Weighted Average Maturity
	£m	£m	£m	%	days
Banks & building societies	2.52	1.10	3.62	3.00-3.51	On call
Fixed Term					
Central Government					
Total investments	2.52	1.10	3.62		

- 23 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 24 As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term borrower, and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments.
- 25 Bank Rate reduced from 4.5% to 4.25% in May, followed by a further reduction to 4.00% in August 2025 and to 3.75% in December 2025. Short term interest rates have largely followed these levels. The rates on DMADF deposits ranged between 3.95% and 3.70% and money market rates between 3.51% and 4.34%.

COMPLIANCE

- 26 All treasury management activities undertaken during the year complied with the principles in the Treasury Management Code and the Authority's approved Treasury Management Strategy. North Wales Fire and Rescue Service (the Service) hold two call accounts that are used to place short term deposits, with Lloyds Bank and Barclays Bank. The interest rates being offered on treasury deposits tend to be more favourable; however, deposits were held with Lloyd and Barclays during the period due to the liquidity requirement for purchasing the land for the new training centre.
- 27 The authority also utilises its Debt Management Office (DMO) account, as the Treasury Management Strategy allows for unlimited funds to be placed with the DMO.
- 28 Compliance with specific investment limits is demonstrated in [Table 5](#) below.

Table 5: Investment Limits

Institution	Description	Limit	30.09.25 Actual	Complied? Yes/No
Banks	All UK banks and their subsidiaries that have good ratings (Fitch or equivalent). This is currently defined as long term (BBB)	£5m	£3.62m	yes
Central Government	Debt Management Office (DMO)	Unlimited	0	yes
Money Market Funds (MMF)	Only in conjunction with advice for Arlingclose	£1m per fund	0	yes
Local Authorities	All except those subject to limitation of council tax and precepts under Part 1 of the Local Government Finance Act 1992	£2m	0	yes
Building Societies	Building societies with a rating (as for the banking sector)	£2m	0	yes
Building Societies (Assets £1bn)	Building societies without a rating but with assets of £1billion or more	£2m/9 months	0	yes

- 29 Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in [Table 6](#) below.

Table 6: Debt and the Authorised Limit and Operational Boundary

	31.03.26 Actual £m	2025/26 Operational Boundary £m	2025/26 Authorised Limit £m	Complied?
Borrowing	15.756	28.99	30.99	Yes
Total debt	15.756	28.99	30.99	

- 30 Since the operational boundary is a management tool for in-year monitoring there may be occasions when actual borrowing exceeds this target. This may be due to variations in cash flow and short-term breaches would not count as a compliance failure.

TREASURY MANAGEMENT PRUDENTIAL INDICATORS

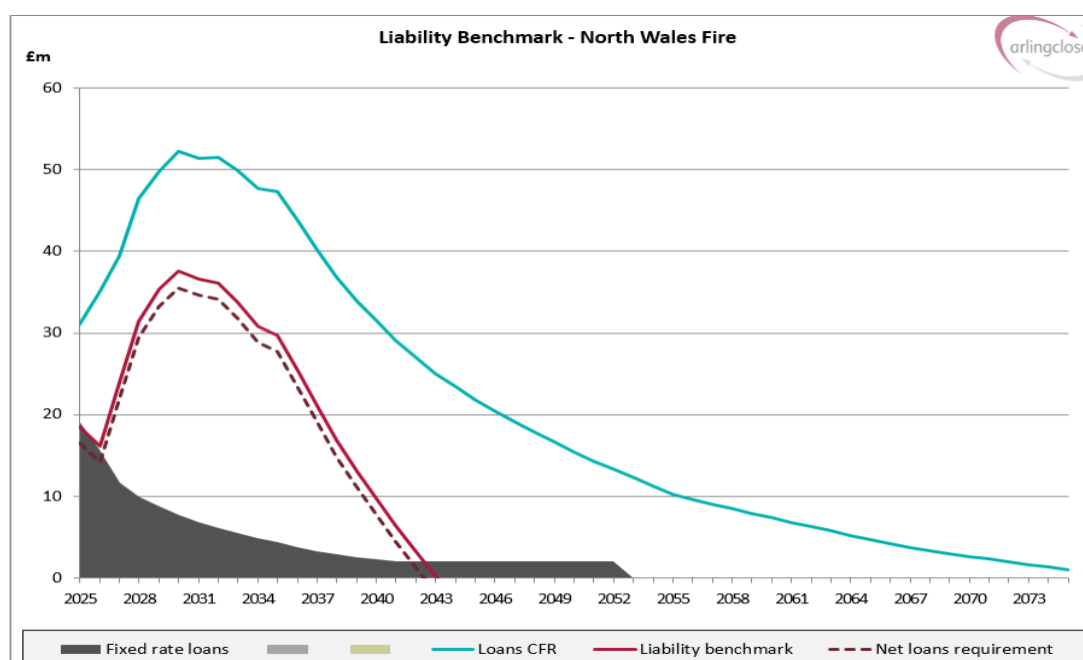
- 31 As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

Liability Benchmark

- 32 This new indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Authority is likely to be a long-term borrower or long-term investor in the future and so shape its strategic focus and decision making.
- 33 The indicator represents an estimate of the cumulative amount of external borrowing the Authority must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £2.0m required to manage day-to-day cash flow.

	31.03.25 Actual £m	31.03.26 Actual £m	31.03.27 Forecast £m	31.03.28 Forecast £m
Loans CFR	31.01	26.86	39.50	46.40
Less: Balance sheet resources	-14.46	-14.46	-17.50	-17.00
Net loans requirement	16.55	12.40	22.00	29.40
Plus: Liquidity allowance	2.00	2.00	2.00	2.00
Liability benchmark	18.55	14.40	24.00	31.40
Existing borrowing	-19.07	-15.76	-11.70	-9.90

- 34 Following on from the medium-term forecast above, the long-term liability benchmark assumes cumulative capital expenditure funded by borrowing of £22.0m in 2026/27, £29.4m in 2027/28 and £33.3m in 2028/29. Minimum revenue provision on new capital expenditure based on the asset life for the class of asset and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in the [chart below](#) together with the maturity profile of the Authority's existing borrowing.



- 35 The graph shows that the Authority is expecting to need to borrow in future years. The Authority will always have a borrowing requirement as it does not hold significant cash or reserves and only has limited access to capital grant funding.
- 36 The blue line represents the need to fund capital expenditure through borrowing (the Capital Financing Requirement or CFR). The red lines represent the need to fund capital expenditure through borrowing once reserves and working capital surplus' (or deficits) have been taken into account – this is actually the real need to borrow which CIPFA have defined as being the Liability Benchmark. The dashed red line represents the position at year end and the solid line represents the average mid-year position. The grey shaded areas show actual loans. When the grey area falls below the red lines this infers a borrowing need.

Maturity Structure of Borrowing

- 37 This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	31.03.26 Actual	Actual Limit	Upper Limit	Lower Limit	Complied Y/N
<12 months	2.0	12.69%	60.00%	0.00%	Y
12 months and <24 months	1.7	10.79%	45.00%	0.00%	Y
24 months and < 5 years	1.80	11.42%	45.00%	0.00%	Y
5 years and <10 years	2.00	12.69%	75.00%	0.00%	Y
>10 years	8.26	52.41%	100.00%	0.00%	Y

- 38 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Long-term Treasury Management Investments

- 39 The Authority does not hold any long-term treasury investments.

Proportion of Financing Costs to Net Revenue Stream

- 40 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and Minimum Revenue Provision are charged to revenue.
- 41 The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2024/25 actual	2025/26 actual	2026/27 budget	2027/28 budget
Financing costs (£m)	3.189	4.407	4.501	5.200
Proportion of net revenue stream	6.48%	9.36%	8.16%	9.2%

IMPLICATIONS

Wellbeing Objectives	Effective treasury management underpins the Authority's long-term well-being objectives by ensuring that capital investment in stations, fleet and training infrastructure is affordable, prudent and sustainable. Maintaining compliance with the CIPFA Treasury Management Code supports financial resilience, enabling the Authority to continue delivering emergency response and prevention services over the medium and long term.
Budget	Effective treasury management underpins the Authority's long-term well-being objectives by ensuring that capital investment in stations, fleet and training infrastructure is affordable, prudent and sustainable. Maintaining compliance with the CIPFA Treasury Management Code supports financial resilience, enabling the Authority to continue delivering emergency response and prevention services over the medium and long term.
Legal	All borrowing and investment activity complied with the statutory framework and the requirements of the CIPFA Treasury Management Code and Prudential Code.
Staffing	No direct staffing implications arising from this report.
Equalities/Human Rights/Welsh Language	There are no direct equalities, human rights or Welsh language implications arising from this report.
Risks	The principal risks relate to interest rate volatility, future borrowing requirements, and the security of invested funds. These risks are mitigated through adherence to approved investment limits, a cautious approach prioritising security and liquidity, and regular monitoring of counterparties and market conditions. The liability benchmark confirms that the Authority is a long-term borrower, reinforcing the importance of continued active treasury management and member oversight.