

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	AUDIT COMMITTEE		
DATE:	30 JUNE 2026	REPORT NO:	DFP/02/2627
PRESENTING OFFICER	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA		
RESPONSIBLE OFFICER:	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA	REPORT AUTHOR:	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM (SLT), HEAD OF FINANCE, JAMES CAMPBELL		
TITLE OF REPORT:	TREASURY MANAGEMENT 2025/26 ANNUAL REPORT		

APPENDICES:	APPENDIX A: TREASURY MANAGEMENT 2025/26 ANNUAL REPORT
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Purpose of Report

1. To advise Members of the activities of the Treasury Management function and actual performance against the agreed Prudential Indicators in 2025/26. This report meets the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Authority is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Recommendation

2. It is recommended that Members note the Treasury Management Annual Report 2025/26 (attached as Appendix A).

Introduction and Background

3. Treasury management is defined as:

“The management of the organisation’s 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.”

4. The Authority has adopted the CIPFA Code of Practice for Treasury Management in Local Authorities, with a Treasury Policy Statement incorporated within its Financial Regulations in accordance with the Code requirements. The arrangements for reporting Treasury Management activity to Members are as follows (a minimum of three reports each year):

- An Annual Treasury Strategy Report before the start of a financial year.
- An interim report during the second half of a financial year. (with additional interim reports prepared if necessary).
- An Annual Outturn Report, to be presented by 30th September following the end of the financial year to which it relates.

Annual Treasury Management Strategy

5. The Authority determines, prior to the start of each financial year, a Treasury Management Strategy which sets the parameters and guidelines with which the treasury management function will operate. The 2025/26 – 2029/30 Budget and Financial Plan report (CFO/85/25), considered by Members at the Authority meeting on 27th February 2025, established the Authority's Treasury Management Strategy for 2025/26:

The strategy covers:

- Prospects for interest rates;
- Capital borrowing and debt rescheduling;
- Annual investment strategy;
- External debt prudential indicators;
- Treasury management prudential indicators;
- Performance indicators;
- Treasury management advisors

The strategy sets limits on:-

- Overall Level of External Debt
- Operational Boundary for External Debt
- Upper limits on fixed interest rate exposure
- Upper limits on variable rate exposure
- Limits on the maturity structure of debt
- Limits on investments for more than 365 days

6. As short-term interest rates were expected to be lower than long-term borrowing rates, the Authority, as part of its approved Treasury Management Strategy, agreed to minimise investments and where necessary, undertake borrowing on a short-term basis and potentially at variable rates. Interest rate movements were monitored throughout the year to identify any changes in market conditions that might require a review of the current strategy.

Interim Treasury Management Report

7. The Interim Treasury Management Report, DFP/11/2526, was considered by Members at the Policy and Resources Committee on 11th December 2025. The report confirmed that, to the point, treasury management activity in 2025/26 had been conducted in compliance with the relevant Codes and Statutes, and within

the borrowing and treasury management limits set by the Authority under the Prudential Code.

Treasury Management Annual Report

8. The Treasury Management Annual Report 2025/26 is attached as Appendix A to this report. It demonstrates that treasury management activity has been carried out in line with the approved Treasury Management Strategy, and therefore within the borrowing and treasury management limits set by the Authority throughout the year. Treasury management practices have maintained full compliance with the relevant Codes and Statutes.
9. The Authority's treasury management function is delivered by Liverpool City Council.

Equality and Diversity Implications

10. There are no equality and diversity implications contained within this report.

Staff Implications

11. There are no staff implications contained within this report.

Legal Implications

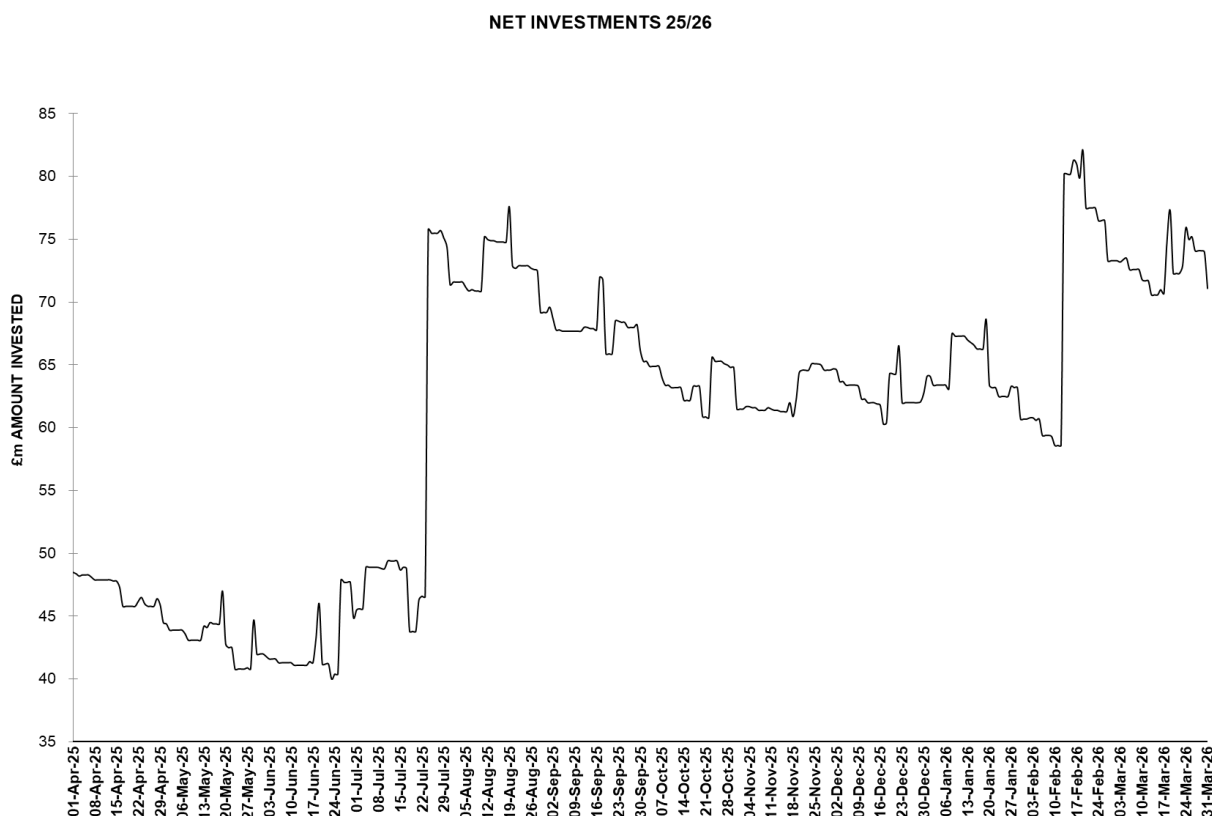
12. This report meets the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Authority is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Financial Implications & Value for Money

13. The cost of Treasury Management Services in 2025/26 was £28,807, with the service provided by Liverpool City Council under a service level agreement.
14. The Authority's total external debt outstanding at the end of the financial year remained unchanged at £33.720m.
15. The Authority paid total interest of £1.715m on its debt during the year which was in line with the approved budget. No new loans were taken out during the year. This reflects the Authority's current strategy of utilising available cash balances to fund capital expenditure, rather than undertaking new borrowing, at a time when investment returns remain relatively low compared to borrowing costs.

16. The movement on the level of opening and closing investments is summarised below:

Date	Investments (£m)
01/04/2025	£47.700
31/03/2026	£71.100



17. The increase in investment balances during the year reflects the timing of significant grant income received in advance of expenditure. For example:

- Firefighter pension grant of £29.1m received in July, with pension payments made throughout the year.
- National Resilience New Dimensions 2 grant of £18m received in February for expenditure to be incurred in 2026/27.

18. A combination of the grant funding received in advance (including MFRA and National Resilience grants) together with cash balances, resulted in total investments of £71.1m at the year end. Investments have been placed with counterparties in accordance with the approved Treasury Management Strategy.

19. Investment income for the year totalled £1.868m, which was £0.768m above the budgeted level. This reflects higher-than anticipated interest rates during the year, as well as increased investment balances.

Risk Management and Health & Safety Implications

20. There are no health & safety implications contained within the report. Effective treasury management supports the robust management of the Authority's cash flows, investments and borrowing. This helps to minimise the risk of loss through poor investment security, ensures the availability of funds when required, and supports the achievement of optimal returns commensurate with an appropriate level of risk.

Environmental Implications

21. There are no environmental implications contained within this report.

Contribution to Our Vision: To be the best Fire & Rescue Service in the UK.

Our Purpose: Here to serve, Here to protect, Here to keep you safe.

22. A prudent and effective Treasury Management Strategy ensures that sufficient financial resources are available to support the approved Financial Plan. This underpins the delivery of operational services and contributes to the achievement of the Authority's vision and strategic objectives.

BACKGROUND PAPERS

- CFO/85/25** MFRA Budget and Financial Plan 2025/26 - 2029/30, Authority 27th February 2025.
- DFP/11/2526** Interim Treasury Management Report, Policy & Resources Committee 11th December 2025.

GLOSSARY OF TERMS

CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
MPC	Monetary Policy Committee
PWLB	Public Works Loans Board
SONIA	Sterling Overnight Index Average