



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 25/47

MEETING	Dorset & Wiltshire Fire and Rescue Authority
DATE OF MEETING	9 December 2025
SUBJECT OF THE REPORT	Treasury Management Mid-Year report 2025-26
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For information and to note
EXECUTIVE SUMMARY	<p>At the meeting of the Authority on 6 February 2025, Members received and approved the Treasury Management Strategy Statement and Prudential Indicators for 2025-26.</p> <p>This report updates Members on Treasury Management performance for the six months to 30 September 2025.</p>
RISK ASSESSMENT	Borrowing and lending by the Authority always carries some financial risk. This is managed in accordance with the Treasury Management Strategy approved by the Authority on an annual basis.
COMMUNITY IMPACT ASSESSMENT	None for the purposes of this report
ENVIRONMENTAL IMPACT ASSESSMENT	None for the purposes of this report
BUDGET IMPLICATIONS	All treasury and budget implications are reported as part of the financial reports presented to Finance & Audit Committee quarterly.
RECOMMENDATIONS	Members are asked to note the Treasury Management position as at 30 September 2025.
BACKGROUND PAPERS	Fire Authority paper 25/07 February 2025 –

	Treasury Management Strategy 2025-26
APPENDICES	Appendix A - Current borrowing Appendix B - Current investments
REPORT ORIGINATOR AND CONTACT	Name: Ryan Maslen, Director of Financial Services and Treasurer to the Fire and rescue Authority Email: ryan.maslen@dwfire.org.uk Tel no: 07500 669442

1. Introduction

- 1.1 The Authority has adopted the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Sector and operates its treasury management function in compliance with this Code. This requires that the primary objective of the treasury management function is the effective management of risk, and that its borrowing activities are undertaken on a prudent, affordable and sustainable basis.
- 1.2 The Code requires regular reporting of treasury management activities to include, as a minimum:
 - a forecast of the likely activity for the forthcoming year (the Treasury Management Strategy for 2025-26 was agreed by the Authority on 6 February 2025)
 - a requirement for quarterly reporting as part of an authority's general revenue and capital monitoring. This is covered through quarterly financial performance reports to the Finance & Audit Committee
 - a mid-year update on treasury management activity (this report); and
 - an annual review of the capital activity for the preceding year.

2. Approved lending list

- 2.1 The 'Treasury Management Policy Statement and Practices' defines the policies adopted by the Authority for the year. We use an approved lending list that is managed for us by our treasury management advisors, MUFG Corporate Markets.

3. Borrowing

- 3.1 Capital expenditure can be funded from several sources. Internally, via contributions from the revenue budget, usage of earmarked reserves, capital grants received, or capital receipts generated via asset disposals. Externally, via new borrowing.
- 3.2 Typically, an element of the planned capital expenditure every year will have a reliance on the need to borrow externally. However, the timing of that borrowing may not always reflect when the actual expenditure is incurred. From a cashflow perspective, cash resources already available may be utilised first, pending borrowing at a later date, when rates or options available may be more attractive. This is often referred to as 'internal borrowing'.
- 3.3 The Authority has utilised internal borrowing for several years. This is due to the borrowing rates currently available and a desire not to enter long-term borrowing

arrangements when rates are at a higher level. At the start of the financial year, the Authority had outstanding external borrowing totalling £16.187m.

- 3.4 The Authority must maintain an assessed Capital Financing Requirement (CFR). This calculates the Authority's underlying need to borrow based on historical and planned capital expenditure levels. Gross external borrowing should never exceed the CFR, except for the short-term reasons such as borrowing in advance of need.
- 3.5 The CFR at the beginning of the financial year was £47.517m. The difference between this figure and the external borrowing total (£16.187m) of £31.330m was the level of internal borrowing at the beginning of the financial year, although £14.077m of this is accounting adjustments linked to ongoing finance lease and Private Finance Initiative (PFI) arrangements.
- 3.6 The table below illustrates the capital expenditure budget for 2025-26 approved by this Authority in February and the mid-year forecast position. It also outlines the CFR at the start of the financial year and the forecast year-end position.

	Budgeted Position £m	Forecast Position £m
Capital expenditure	10.689	10.332
Financed by:		
- External Borrowing	6.177	7.424
- Capital Receipts	0.050	0.050
- Direct Revenue Financing	1.777	1.777
- Earmarked Reserves	2.685	1.081
TOTAL	10.689	10.332
Capital Financing Requirement	Actual - 01/04/2025	Forecast – 31/03/2026
- Capital Receipts	33.440	37.102
- Finance Leases	1.068	0.716
- PFI Contract	13.008	12.011
TOTAL	47.516	49.829

- 3.7 Forecast capital expenditure has reduced by £0.357m from the £10.689m budget originally approved. Budget carry forwards from 2024-25 for ongoing projects totalling £3.292m were approved by Finance & Audit Committee in July 2025. But in-year slippage totalling £2.797m, most notably from the expected timing of payments for the planned training centre projects, and in-year underspends on various projects have reduced the forecast in-year expenditure total to £10.332m.
- 3.8 Whilst expenditure levels are forecast to be marginally lower than originally budgeted, the way in which the expenditure will be financed will be amended to reflect the planned funding streams for each respective project. The training centre projects will be fully funded from earmarked reserves, so the planned reserve usage in 2025-26 will reduce to reflect the revised timelines for payments expected. The need for external borrowing to fund ongoing projects has been increased but may reduce closer to year-end as project payment schedules become clearer.
- 3.9 The Treasury Management Strategy assumed that new borrowing totalling £6.177m would be required during 2025-26. No additional borrowing has been utilised in the year-to-date. Based on current cashflow levels and projections, there will not be a need to externally borrow during the current financial year. This aligns with the planned expectations for interest rates outlined in Section 5 of this report. The Authority will further utilise its internal borrowing capability to avoid long-term borrowing at the current time, when rates are higher than forecast in the future.
- 3.10 Appendix A details the total outstanding debt of £16.168m on 30 September 2025. During the first half of the year, principal repayments of £19k have been made in respect of existing borrowing, with a further £19k repayable in the second half of the year.
- 3.11 Interest payments on the existing borrowing, which will be made during the year, will total £475k and are detailed in Appendix A.

4. Investments

- 4.1 A breakdown of the investments held on 30 September 2025 is shown in Appendix B. In the period 1 April 2025 to 30 September 2025 gross income from investments totalled £270k.
- 4.2 The budget approved by this Authority in February forecasted interest income earnings of £400k for the year. The updated position is forecast annual income of £500k.
- 4.3 Officers continue to work pro-actively with our appointed treasury advisors to identify investment opportunities aligned to our Treasury Management Strategy. Fixed term investments give an opportunity to boost the returns generated, with

the rates available typically higher than those via instant access arrangements. These investments can either be with other Local Authorities or Banks.

- 4.4 At the start of the financial year the Authority had one ongoing fixed term investment with a Local Authority totalling £5m. A further £5m was also subsequently invested, split between two counterparties, in Q1 2025-26. These fixed term investments are maintained whenever possible but are driven by our underlying immediate cashflow need to maintain liquidity.
- 4.5 At the end of September, fixed term investments totalling £4.5m, split between a Local Authority and SMBC Bank International, are ongoing. Once these mature income from all the fixed term investments to date will have totalled £197k during 2025-26. Further fixed term investment opportunities will be utilised in this financial year where cashflow allows.
- 4.6 Alongside these fixed term investments, daily cashflow is managed via instant access 'Money Market Funds' and 'On-Call Deposits'. The monthly returns from these investment balances do fluctuate throughout the year as cashflow levels move, but earnings in the first half of the year totalled £174k and the forecast annual return is expected to exceed £300k.

5. Economics and interest rates

5.1 Economics update and interest rate forecast

5.1.1 The Authority's treasury advisor, MUFG, most recent update highlighted the following:

- The Bank of England reduced Bank Rate from 4.50% to 4.25% in May, and then to 4% in August. At the November meeting of the Monetary Policy Committee five members voted to maintain the rate at 4% whilst four members preferred a 0.25% reduction.
- Notes released from the meeting suggest that the upside risks to inflation have become less pressing, and more bank rate cuts can be expected as disinflation becomes more clearly established.
- This may not result in further movement in Bank Rate in the next meeting in December 2025, but two cuts are expected in 2026, with the first expected in quarter one. Current projections then suggest the rate will reduce to 3.50% in quarter three 2026 and to 3.25% in quarter three 2027.
- CPI inflation decreased from 3.8% in September to 3.6% in October. The Bank of England view the September rate as the inflationary peak, with the rate slowing to 3.2% in March 2026. It is then forecast to gradually reduce and settle around the 2% target in the second quarter of 2027.

6. Compliance with treasury and prudential limits

- 6.1 It is a statutory duty for the Authority to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2025, the Authority has operated within the treasury and prudential indicators set out in the Authority's Treasury Management Strategy Statement for 2025-26. No difficulties are envisaged for the current or future years in complying with these indicators.

	Budgeted Position £m	Forecast Position £m
Authorised limit for external debt	31.352	27.145
Operational boundary for external debt	28.852	24.645
Gross external debt	27.818	23.256
Ratio of financing costs to net revenue stream	6.10%	5.85%

- 6.2 All treasury management operations have also been conducted in full compliance with the Authority's Treasury Management Practices.

7. Summary & key points

- 7.1 At the start of the financial year, the Authority had outstanding borrowing totalling £16.187m against a CFR of £47.517m. The forecast capital expenditure for 2025-26 is £10.332m, with an expectation that the CFR will increase to £49.829m. Current cashflow projections suggest the Authority will not need to borrow additional funds in this financial year and external borrowing will total £16.149m on 31 March 2026. In-year interest payments will total £0.475m.
- 7.2 Investment activity remains a key focus for Officers, to maximise investment income returns aligned to our Treasury Management Strategy. Net investments on 30 September 2025 totalled £11.517m and the Authority expects to generate £0.500m from interest earnings during 2025-26.
- 7.3 The economic outlooks suggest that by the end of the financial year the current interest rate of 4% will reduce to 3.75% and CPI inflation will reduce from 3.6% to 3.2%. The downward trend is expected to continue into 2027, with bank rate reaching 3.25% and CPI inflation 2%.

Appendix A**Current borrowing****Borrowing as at 30 September 2025**

Start Date	Maturity Date	Estimated Balance (£)	Interest Rate	Annual Interest (£)
Annuity Loans				
25/03/2005	11/03/2027	80,406	4.80%	3,286
	<i>less repaid</i>	-19,392		
		61,014		3,286
Maturity Loans				
21/12/2004	11/03/2030	200,000	4.55%	9,100
15/02/2005	11/03/2030	200,000	4.50%	9,000
01/03/2006	11/03/2031	1,307,000	4.05%	52,934
23/08/2007	11/09/2052	1,000,000	4.45%	44,500
06/09/2007	07/10/2027	500,000	4.90%	24,500
04/01/2008	11/03/2042	1,000,000	4.43%	44,300
09/01/2008	11/09/2042	500,000	4.39%	21,950
10/09/2008	11/03/2058	2,000,000	4.38%	87,600
02/08/2019	11/09/2044	3,000,000	2.20%	66,000
02/08/2019	11/09/2059	1,400,000	2.13%	29,820
12/11/2021	11/09/2066	2,500,000	1.66%	41,500
12/11/2021	11/09/2071	2,500,000	1.61%	40,250
		16,107,000		471,454
Total				
		16,168,014		474,740

Appendix B**Current investments****Investments as at 30 September 2025**

Name of Borrower	Amount Invested (£)	Maturity Date	Interest Rate
Loans			
Local Authority	2,000,000	22/01/2026	4.25%
SMBC Bank International	2,500,000	04/12/2025	4.11%
Money Market Funds			
Federated Hermes	3,000,000		4.18%
Black Rock	2,169,613		4.13%
Call Accounts			
Bank of Scotland	140,623		3.77%
Lloyds Bank	1,706,844		3.77%
Total	11,517,080		