



**Staffordshire Commissioner Fire and Rescue Authority**

**Joint Audit and Risk Committee**

**2 July 2026**

**TREASURY MANAGEMENT REPORT FOR THE YEAR ENDED  
31 MARCH 2026**

**Report of the Director of Finance**

**Background**

1. The Staffordshire Commissioner became responsible for the governance of the Staffordshire Fire and Rescue Service from 1 August 2018, in addition to his existing role overseeing Staffordshire Police. However, both remain separate legal entities, with separate budgets, staff and governance processes.
2. This report will detail the 2025/26 treasury management outturn for the Staffordshire Fire and Rescue Service only; with a separate report produced for Staffordshire Police. Therefore, reference is made only to **Staffordshire Commissioner Fire and Rescue Authority ('the Authority')** as part of this report.

**Summary**

3. At the meeting of 22 March 2012, the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code).
4. Treasury risk management at the Authority is conducted within the framework of the revised 2021 Edition of the CIPFA Code. This requires the Authority to approve a treasury management strategy before the start of each financial year and, as a minimum, provide a semi-annual and annual treasury outturn report with quarterly updates on Performance Indicators. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
5. The report provides a summary of the Authority's treasury management activities for the year ended 31 March 2026. It considers both borrowing and investment decisions taken throughout the year in the light of the interest rates and economic conditions prevailing at the time.

## **Recommendations**

6. That the Joint Audit and Risk Committee note the treasury management activities for the year ended 31 March 2026, including the Prudential Indicators outturn detailed in **Appendix 2**.
7. That the Joint Audit and Risk Committee note the use of the Minimum Revenue Provision at 31 March 2026 as set out in **paragraphs 41 & 42**.

## **Financial implications**

8. All resource implications are covered in the body of this report.

## **Legal implications**

9. This report fulfils the requirement of the CIPFA Code as detailed above.

## **Equality & diversity implications**

10. There are no equalities implications.

## **Risk implications**

11. The strategies are subject to interest rate, credit, counterparty, and refinancing risk which have all been considered in the body of this report.

## **Consultation and engagement undertaken**

12. The County Council's treasury team have provided some of the information for the report.

## **Procurement and Social Value**

13. The treasury management function is undertaken on behalf of the Authority under a service level agreement (SLA) with Staffordshire County Council. This SLA is reviewed annually.

## External context

14. UK inflation has proved stubborn throughout 2025/26. Having started the financial year at 3.5%, Consumer Price Index (CPI) peaked at 3.8% from July to September 2025, before dipping to 3.0% in January and February 2026 and increased to 3.3% in March 2026. Data showed that CPI for April 2026 was 2.8%. However, it is anticipated that CPI inflation will be higher in the near future, as a result of the Middle East conflict causing an increase in energy prices.
15. Bank Rate reductions have been limited in 2025/26 with inflation and continued global conflicts influencing decisions. Bank Rate started 2025/26 at 4.50% and reduced to 3.75% in December 2025 where it has remained as a mechanism to combat inflation. Whilst interest rates have been on a downward trajectory, markets believe that rates may hold, or even increase, to combat the resulting effects of increased inflation.
16. The UK economy's GDP grew by 1.4% during 2025. The estimate for March 2026 quarter on quarter growth is 0.6% with the largest contribution to this being the services sector, production and construction output also grew during this period. GDP is projected by the Office for Budget Responsibility (3 March 2026) to be 1.1% in 2026 before picking up to 1.6% in 2027 and 2028. However, there is a downside risk to this forecast given events in the Middle East that are still on-going.
17. UK borrowing became increasingly expensive in 2025/26. Gilt yields rose significantly in March 2026 at the start of the Middle East conflict and have remained elevated since. The combination of some energy price support, pressures from higher inflation amid the ongoing energy price shock, higher interest rates and a weaker economy have also indicated to the market that further borrowing by the UK government will be required, keeping borrowing costs high.
18. Labour market conditions continued to slow throughout 2025/26, and the loosening labour market has continued into the new year, with increased unemployment and decreasing payroll costs. These factors are considered by the Monetary Policy Committee (MPC) in making their bank rate level decisions and they are waiting to see if there is any impact on payroll costs as a result of the recent conflict.
19. The FTSE 100, the stock market based in London, was 8,582 at the start of April 2025 and increased through the year, reaching an all-time high of around 10,900 in late February 2026 before losing some of these gains, following the start of the Middle East conflict. At the time of writing the FTSE is currently around 10,400, which is still historically high.
20. The economic context in which the Authority operates remains volatile and uncertain and the measured approach the Authority takes with its treasury activity in the financial markets reflects this.

## Long-term Borrowing 2024/25

21. The 2025/26 Treasury Management Strategy Report, approved by the Police, Fire and Crime Panel on 10 February 2025, outlined the long-term borrowing strategy for the year. This was as follows:

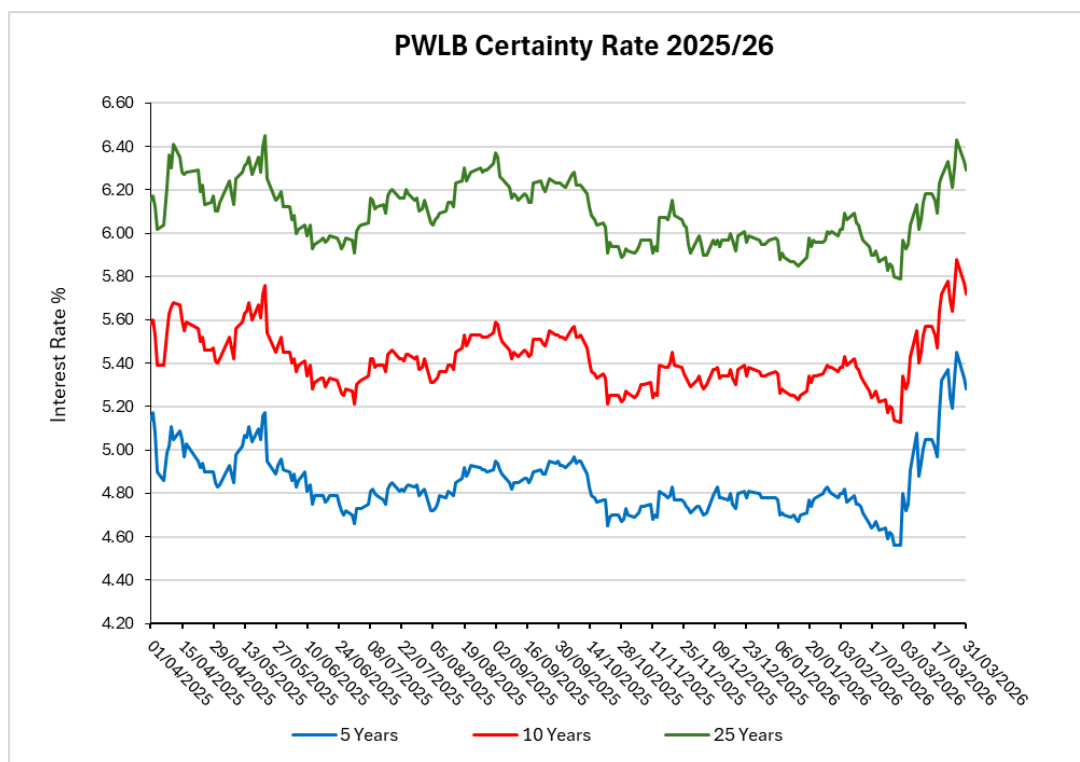
‘As short-term interest rates have been lower than long term rates, it has been more cost effective to use its internal cash resources in lieu of borrowing in the short term.’

22. The following table summarises the use of cash for 2025/26. During the year, the Authority created new debt of £2.251m financed by using grants and reserves. The Authority also made an MRP payment of £1.354m to reduce its external debt liability, known as the Capital Financing Requirement and repaid a £1.000m Lender Option Borrower Option (LOBO) loan early due to the lender exercising their call options and increasing the interest rate payable on the loan from 3.98% to 6.58%.

2025/26	£m
<b>Balance funded from cash brought forward</b>	<b>4.834</b>
New debt	2.251
Minimum Revenue Provision (MRP)	(1.354)
Financing from Grants/Reserves	(1.646)
New loans taken out	0.000
Loan repayments at maturity	0.000
Loans repaid early (LOBO)	1.000
<b>Balance funded from cash carried forward</b>	<b>5.085</b>

23. The strategy of using cash relies upon two main factors:
- **Interest rates**, and in particular the difference between short-term investment rates and longer-term rates; and
  - Having **cash available** to fund the strategy from reserves and working capital.
24. At the 31 March 2026 the Authority had £15.150m in external debt against a capital Financing Requirement of £20.235m.
25. Whilst the economic future is not clear, a strategy of using cash remains supported by the current economic situation and the forecast for relatively low interest rates in the future compared to historical comparisons.
26. Longer term interest rates are more relevant when the Authority wants to take up a new loan; these are mainly sourced from the Public Works Loan Board (PWLb) whose loan interest rates vary daily reflecting changes in Gilt yields in the UK Government bond market.

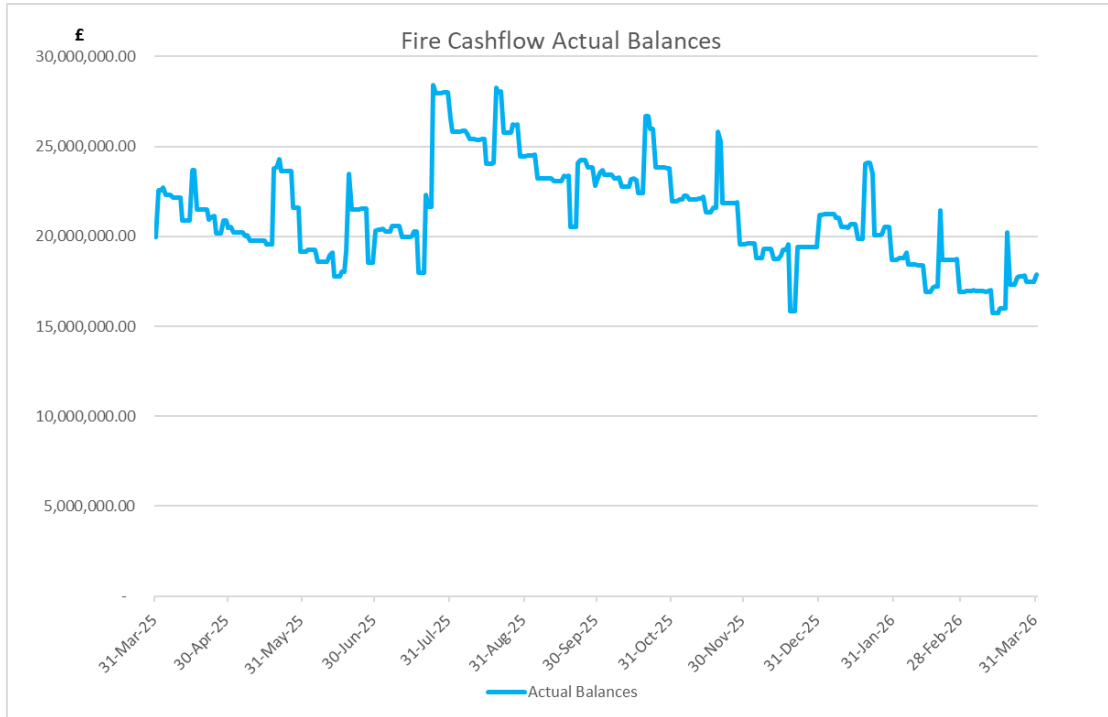
27. The following chart shows PWLB interest rates (at certainty rate) for three indicative loan durations throughout 2025/26:



28. The chart shows rates fluctuating at the start of 2025/26, then falling away around June 2025, fluctuating again then falling away during February 2026, before rapidly rising throughout March 2026, due to the start of the Middle East conflict, from where they have remained high.
29. It is important to understand the current relationship between short-term investment rates and longer-term rates. If borrowing in the form of a loan is taken, the proceeds could only be invested at rates lower than the cost of the borrowing. At present this difference would be around 1% to 2% depending on the length of the loan, so avoiding raising new loans can result in the Authority avoiding further interest payments (see **paragraph 33**).

### Availability of cash

30. An equally important consideration to support the policy of using cash in lieu of borrowing, is whether cash is available. The following graph shows the investment balances for 2025/26, which were sufficient to fund the use of cash of £5.085m (see **paragraph 22**).



31. The following table shows the average interest rate paid on the Authority’s external loan portfolio over the last two years, with an adjustment reflecting the use of cash in lieu of borrowing:

	<b>2024/25</b> <b>%</b>	<b>2025/26</b> <b>%</b>
Weighted average rate of interest for external loans	4.41	4.43
Adjusted for the use of cash	4.54	4.32

32. The average rate of interest for external loans is marginally higher than in 2024/25 due to the loan repayment having a fractionally lower rate, therefore increasing the average rate for the remaining loans.

33. On average, internally funding from cash balances instead of borrowing is estimated to have avoided around £67,000 in additional interest payments this year. The interest rate adjusted for the use of cash was lower in 2025/26 as the lower interest rate environment reduced the opportunity cost of using the cash in lieu of borrowing. This portion of the Authority’s loan debt was effectively funded at a lower cost than the existing loan pool.

34. The way the Authority’s debt was funded on 31 March 2026 is summarised in the following table:

	31 March 2025		31 March 2026	
	£m	% of Total	£m	% of Total
PWLB fixed maturity loans	15.150	72.2	15.150	74.9
LOBO Loan	1.000	4.8	0.000	0.0
Internal funding from cash	4.834	23.0	5.085	25.1
<b>Total debt position</b>	<b>20.984</b>	<b>100.0</b>	<b>20.235</b>	<b>100.0</b>

35. Holding a high proportion of fixed-term loans with the PWLB ensures future budget certainty as the uncertainty often created by variations in short-term interest rates is avoided. The other side of this is the risk of future falls in long-term interest rates; if these occur, they may make the fixed debt relatively expensive. Gilt rates have remained stubbornly high making current rates for new borrowing expensive.
36. Internal funding from cash allows the capital programme to be funded at low cost but this must be balanced against the possibility that long-term borrowing costs may increase in future years.
37. A graph illustrating the maturity profile of debt is provided at **Appendix 1**. The PWLB loan maturity profile has two main features; there is a reasonably smooth maturity profile for the next 13 years, and a significant long-term element thereafter.

### Loan Restructuring 2024/25

38. A combination of factors has meant that PWLB loan restructuring was not undertaken in 2025/26;
- Gilt yields were falling for most of 2025/26, until the sharp increase towards the end of 2025/26;
  - The Authority has a steady flow of PWLB maturing debt and large existing internal funding position; and
  - Government policy is to apply a margin to the early repayment of a PWLB loan, which further increases the penalty payable.
39. Although the Authority's loan portfolio is financed at a relatively lower rate, where some loans may attract a discount to repay, no PWLB debt was prematurely repaid. This was due to the fact that the Authority's forecast capital programme requires funding and to repay or refinance debt at the current time would mean significantly higher future annual interest payments.
40. The Authority repaid a £1.000m Lender Option Borrower Option (LOBO) loan early due to the lender exercising their call options and increasing the interest rate payable on the loan from 3.98% to 6.58% as referred to in **paragraph 22**.

### Annual Provision for Principal Repayments (Minimum Revenue Provision)

41. Under the Statutory Guidance on Minimum Revenue Provision – Issued under section 21 (1A) of the Local Government Act 2003 (2018), local authorities are given some flexibility in making an annual revenue provision for the repayment of debt

42. In accordance with the approved policy, the Minimum Revenue Provision of £1.354m has been used to reduce the level of debt in 2025/26.

### Annual Investment Strategy 2025/26

43. Surplus cash is monitored daily and is invested in the money market to earn interest. These investment transactions are made with the aim of ensuring the security of the Authority's money. All investments must comply with Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 which ensure that authorities cannot 'speculate' with public funds. For example, authorities cannot invest in the stock market.
44. Throughout the year the Treasury team at Staffordshire County Council reviewed the markets and provided regular reports to the Director of Finance.
45. The Annual Investment Strategy (AIS) for 2025/26 (approved on 10 February 2025) was to follow a very low-risk investment approach; this meant that investments were restricted to the following institutions and limits:

Investment institution	Fund details	Investment limit
UK Government	The Debt Management Account Deposit Facility (DMADF)	Unlimited
UK Local Authorities	Local authority term deposits	Unlimited
Money Market Funds (MMFs)	Diversified sterling funds with same day access	£7.5m (temporary increase agreed during May 2025 cash meeting)
Royal London Cash Plus MMF	Enhanced MMF with 3-day liquidity notice period	£2.5m
Lloyds Bank	Authority's banking provider	£1.0m

46. The following table summarises investment transactions during the year.

	2024/25	2025/26
Average cash balance (£m)	22.612	21.186
Transactions in year (£m)	202.470	159.705
Interest receipts (£m)	1.113	0.860
Average return on investments (%)	4.98	4.06
SONIA* rate (%)	4.54	3.77

\* 1 year Sterling Overnight Index Average

47. The table above shows that the level of total interest receipts in 2025/26 was lower than in the previous year. This reflects the impact of the lower interest rate environment that has continued throughout the financial year and the slightly reduced investment balances. The Authority's return is higher than the SONIA benchmark, as this rate falls immediately in line with market interest rates whereas the Authority's investments are placed at a point in time and in

a market where the rates are slower to react. The opposite would be true in a rising interest rate market.

48. The Authority retained its £2.5m investment in the Royal London Cash Plus MMF. This Enhanced duration MMF has the same characteristics as same day liquidity MMF's but has a 3-day notice period and a recommended investment duration of at least 6 months, due to a longer investment horizon.
49. Approved investments at 31 March 2026 totalled £17.882m (£19.950m at 31 March 2025); these can be analysed as follows:

<b>Counterparty</b>	<b>£m</b>	<b>Term</b>
Aberdeen MMF	4.700	Instant Access
Federated Prime MMF	5.725	Instant Access
Morgan Stanley MMF	4.850	Instant Access
Royal London Cash Plus Fund	2.500	3-day notice
Lloyds bank	0.107	Instant Access
<b>Total</b>	<b>17.882</b>	

### **Compliance with Other Matters**

50. It can be certified that, during 2025/26:
- (i) All transactions were undertaken by authorised officers and within the limits approved by the Authority.
  - (ii) All investments were to counterparties on the Approved Lending List current at the time and fully met the requirements of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.
  - (iii) During the financial year the Authority operated within the limits and Prudential Indicators for Treasury Management as set out in the County Council's Treasury Management Practices and the Authority's Annual Treasury Strategy Statement.

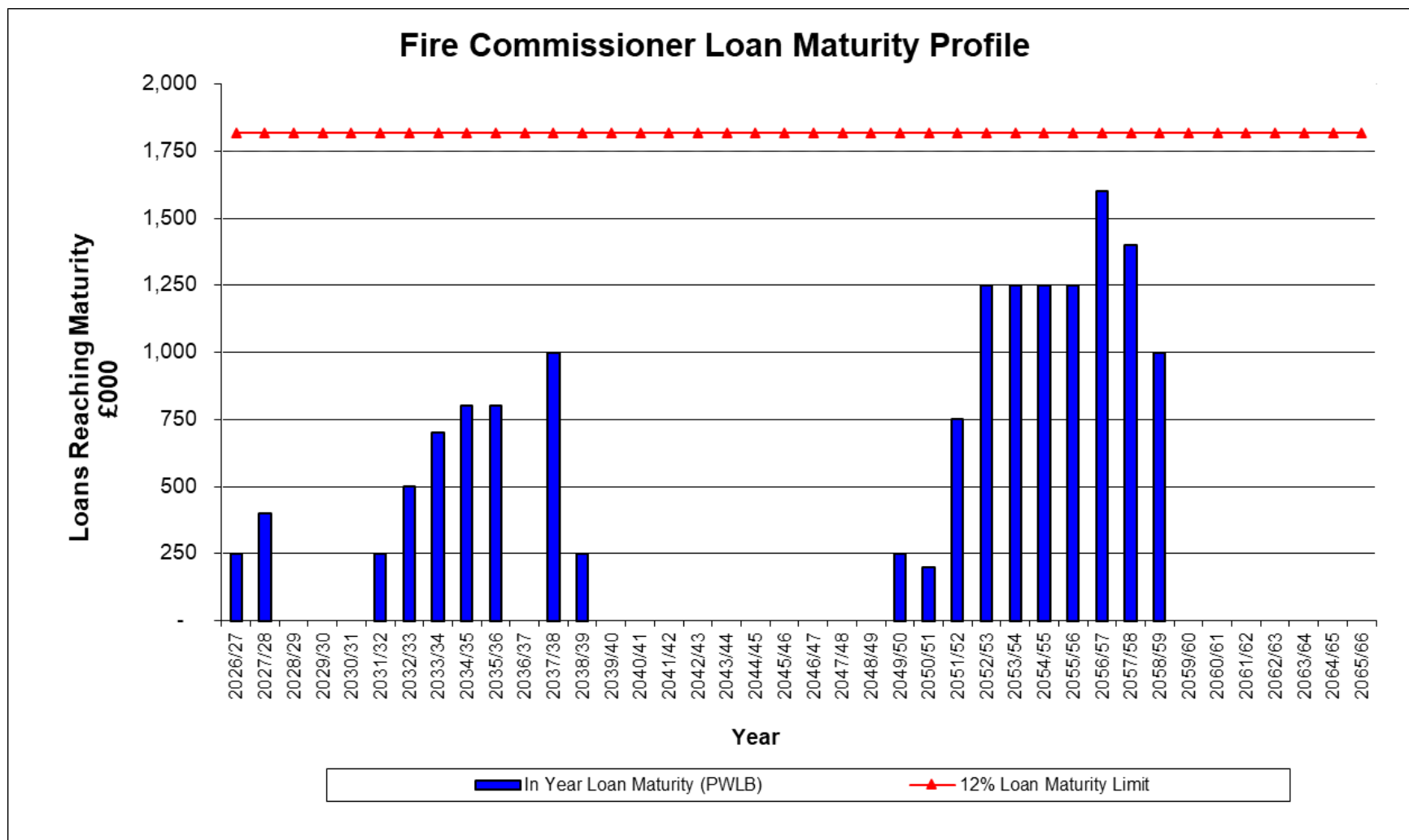
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## Background Documents

1. Treasury Management in the Public Services: Code of Practice (CIPFA) (2021)
2. Prudential Code for Capital Finance in Local Authorities (CIPFA) (2021)
3. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
4. Statutory Guidance on Local Government Investments – Issued under Section 15(1) (a) of the Local Government Act 2003 (2018)
5. Statutory Guidance on Minimum Revenue Provision – Issued under section 21 (1A) of the Local Government Act 2003 (2018)



**Staffordshire Commissioner Fire and Rescue Authority  
Joint Audit and Risk Committee  
Prudential Indicators for Treasury Management**

Indicator	Estimate 2025/26 £ million	Position at 31/03/26 £ million	
<b>1. External Debt</b>			
Authorised Limit	£41.9m	£15.1m	
Authorised Limit for other liabilities	£55.8m	£50.8m	
<b>Total</b>	<b>£97.7m</b>	<b>£65.9m</b>	
Operational Boundary	£34.8m	£15.1m	
Operational Boundary for other liabilities	£55.8m	£50.8m	
<b>Total</b>	<b>£90.6m</b>	<b>£65.9m</b>	
External Loans	£23.7m	£15.1m	
Long Term Liabilities	£55.8m	£50.8m	
<b>Total</b>	<b>£79.5m</b>	<b>£65.9m</b>	
<p><i>The Authorised Limit is the maximum level of external borrowing which should not be exceeded. It is linked to the estimated level of borrowing assumed in the capital programme.</i></p> <p><i>The Operational Boundary represents an estimate of the day-to-day limit for treasury management activity based on the most likely i.e. prudent but not worst-case scenario.</i></p> <p><i>Other liabilities relate to PFI schemes on the balance sheet.</i></p>			
<b>2. Interest Rate Exposures</b>			
a. Upper Limit (Fixed)	£26.9m	£15.1m	
b. Upper Limit (Variable)	(£35.0m)	(£17.9m)	
<p><i>The Authority has set upper limits of fixed and variable borrowing and investments. This limits the Authority's exposure to both fixed and variable interest rate movements as part of the overall risk management strategy for treasury management activities. Negative figures are shown in brackets; these relate to investments at a variable rate which are not offset by variable borrowings.</i></p>			
<b>3. Maturity Structure of Borrowing</b>			
	Upper Limit	Lower Limit	
Under 12 months	10%	0%	1.65%
12 months and within 24 months	10%	0%	2.64%
24 months and within 5 years	30%	0%	0.00%
5 years and within 10 years	50%	0%	20.13%
10 years and above	100%	25%	75.58%
<p><i>This indicator identifies the amount of loans maturing in specified periods. The overarching principle is that steps should be taken from a risk management point of view to limit exposure to significant refinancing risk in any short period of time.</i></p> <p><i>The Authority currently applies the prudent practice of ensuring that no more than 12% of its total gross fixed rate loans mature in any one financial year.</i></p>			
<b>4. Upper limit for total principal sums invested for longer than a year (from maturity)</b>			
	£		£
<i>Any investments made for over a year will be in accordance with the Authority's limits on non-specified investments.</i>	Nil		Nil