

## **Financial Performance to September 2025, including Annual Treasury Review 2024/25 and Mid-Year Treasury Review 2025/26**

### **Report of the Treasurer**

For further information about this report please contact James Walton, Treasurer, on 01743 258915 or Joanne Coadey, Head of Finance, on 01743 260215.

### **1 Purpose of Report**

This report provides information on the financial performance of the Service, and seeks approval for action, where necessary.

### **2 Recommendations**

The Committee is asked to recommend that the Fire Authority:

- a) Note the position of the revenue budget;
- b) Approve virements to the revenue budget, where requested;
- c) Note the position of the capital programme;
- d) Note the annual review of treasury activities for 2024/25;
- e) Note performance against prudential indicators to date in 2025/26, and
- f) Note the mid-year review of treasury activities for 2025/26.

### **3 Background**

This report presents a review of financial performance to date for 2025/26 and covers the monitoring of revenue budgets and the capital programme, and a review of treasury management activities, including prudential indicators. An annual review of treasury activities for 2024/25 is also included in the report.

### **4 Revenue Budget**

Monitoring has continued on the revenue budgets for 2025/26, and a summary of the total position is shown below.

| Directorate                                | Original Budget<br>£'000 | Reforecast Budget<br>Qtr1<br>£'000 | Spend<br>£'000 | Committed<br>£'000 | Balance<br>£'000 | Spent<br>% | Variances<br>Qtr2<br>£'000 | Reforecast Budget<br>Qtr2<br>£'000 |
|--|--------------------------|------------------------------------|----------------|--------------------|------------------|------------|----------------------------|------------------------------------|
| <b>Executive &amp; Resources</b>           |                          |                                    |                |                    |                  |            |                            |                                    |
| Pay  | 1,934                    | 1,910                              | 842            |                    | 1,067            | 44%        | -105                       | 1,805                              |
| Other                                      | 3,119                    | 3,119                              | 2,379          | 257                | 484              | 84%        | 436                        | 3,555                              |
|  | <b>5,053</b>             | <b>5,029</b>                       | <b>3,221</b>   | <b>257</b>         | <b>1,551</b>     | <b>69%</b> | <b>331</b>                 | <b>5,360</b>                       |
| <b>Service Delivery</b>                    |                          |                                    |                |                    |                  |            |                            |                                    |
| Pay  | 18,487                   | 18,536                             | 9,895          | -                  | 8,641            | 53%        | 280                        | 18,816                             |
| Other                                      | 279                      | 322                                | 178            | 92                 | 52               | 84%        | 0                          | 322                                |
|  | <b>18,766</b>            | <b>18,858</b>                      | <b>10,073</b>  | <b>92</b>          | <b>8,693</b>     | <b>54%</b> | <b>280</b>                 | <b>19,138</b>                      |
| <b>Corporate Governance</b>                |                          |                                    |                |                    |                  |            |                            |                                    |
| Pay  | 2,740                    | 2,706                              | 1,090          | 0                  | 1,616            | 40%        | -78                        | 2,628                              |
| Other                                      | 2,599                    | 2,716                              | 1,649          | 172                | 895              | 67%        | 0                          | 2,716                              |
|  | <b>5,339</b>             | <b>5,422</b>                       | <b>2,739</b>   | <b>172</b>         | <b>2,511</b>     | <b>54%</b> | <b>-78</b>                 | <b>5,344</b>                       |
| Contribution to Reserves<br>Pay and Prices | -2                       | -152                               | -              | -                  | -152             | 0%         | 0                          | -152                               |
| Contingency                                | 404                      | 1,403                              | -              | -                  | 1,403            | 0%         | -533                       | 870                                |
| Capital                                    | 1,880                    | 880                                | 112            | -                  | 768              | 13%        | 0                          | 880                                |
| Income                                     | -1,356                   | -1,356                             | -1,231         | -                  | -125             | 91%        | 0                          | -1,356                             |
| <b>Total</b>                               | <b>30,084</b>            | <b>30,084</b>                      | <b>14,914</b>  | <b>521</b>         | <b>14,649</b>    | <b>51%</b> | <b>0</b>                   | <b>30,084</b>                      |

Variances in anticipated spend are shown in the table below.

| Service Area                   | Variance  | -Over/ Under<br>£'000 |
|--------------------------------|---|-----------------------|
| <b>Executive and Resources</b> | <p><b>Executive pay</b></p> <p><b>Structure review – posts vacant during second quarter</b></p> <p>S151 Officer – this post is currently out for recruitment 15</p> <p>Procurement Officer 9</p> <p>Monitoring Officer – service level agreement to begin on 1 October 2025 25</p> <p><b>Local Government Pension Scheme – Pension deficit costs – saving due to surplus position of the LGPS fund</b> 56</p> <p><b>Resources</b></p> <p><b>Non-Domestic Rates – Annual rates charge for the Telford site has risen significantly in 2025/26</b> -400</p> <p>The increase has come about following its refurbishment and extension. The Valuation Office Agency (VOA) reassessed the rateable value of the building at the point it was handed over to the service by the contractor in September 2024 and the increase in size of the station will have been taken into account. Our rating agents are reviewing the assessment and will, if required, use the VOA ‘check and challenge’ process to ensure that the right assessment is provided for the building.</p> <p><b>Contract Cleaning – additional costs for site cleaning following refurbishment at Telford</b> -36</p> |                       |
| <b>Corporate Governance</b>    | <p><b>ICT pay</b></p> <p><b>Structure review – posts vacant during second quarter</b></p> <p>ICT Technician – service desk level 1 10</p> <p>Business Analyst 12</p> <p>Data Analyst 12</p> <p>Temporary Systems Engineer post 16</p> <p>Vacant ICT Technician post vacant 10</p> <p>2 Systems Analyst posts vacant 18</p> <p>One post has now been filled and others are currently being reviewed and out for recruitment</p>  |                       |

|                         |  |      |
|-------------------------|--|------|
| <b>Service Delivery</b> | <b>Operations pay</b><br><b>Structure review – posts vacant during second quarter</b><br>Health & Safety Manager – this post is currently out for recruitment  | 17   |
|                         | <b>Control pay</b><br>Funding for staff seconded to the Command & Control system replacement project – Jul to Sept 25  | -65  |
|                         | <b>On Call pay</b>   |      |
|                         | <b>National Insurance</b> - increases from April 2025 have exceeded anticipated levels. Adjustments will be made for budgets in future years   | -120 |
|                         | <b>Operational Hours</b> - higher attendance at longer incidents has resulted in an overspend in this area   | -40  |
|                         | <b>Additional expenditure</b> for cleaning, administration, and other duties   | -35  |
|                         | <b>Whole time pay</b><br><b>Overtime</b> - spend in this area exceeded budget to date by £37,000 by the end of September, however spend has reduced by 20% in the year to date, compared to 2024/25. | -37  |
| <b>Total</b>            | <b>-533</b>  |      |

Virements that have been approved using powers delegated to the Chief Fire Officer, Treasurer and Head of Finance are shown in the table below

| <b>Virement approved</b>   | <b>Reserve</b> | <b>£'000</b> |
|--|----------------|--------------|
| Training programme and recording system to ensure compliance with NFCC boat code | Training       | 34           |
| Training on Civica software to enable inhouse system development                 | ICT            | 6            |
| Introduction of portfolio management software solution                           | ICT            | 70           |
| <b>Total</b>   |                | <b>110</b>   |

### **Pay award 2025/26**

The pay award for 2024/25 for support staff was agreed at 3.2%. As the revenue budget was set for 2025/26, considering discussions across the Fire sector on levels of pay award to provide for, pay contingency included an award of 2%.

The increase in pay award for the current year over and above the 2% provided for is £46,000. This has been found from existing pay contingency balances. However, the additional 1.2% will need to be factored into the upcoming budget setting process before award for 2026/27 is considered.

### **Reserves**

The position of the Authority's reserves, including previously approved transfers, is shown in the following table.

| <b>Reserve</b>                         | <b>£'000</b>  |
|--|---------------|
| General                                | 577           |
| Pensions and Other Staff Issues        | 1,921         |
| Extreme Incidents                      | 219           |
| Major Projects                         | 4,891         |
| ICT                                    | 404           |
| Income Volatility                      | 687           |
| Service Transformation Programme Staff | 672           |
| Service Delivery                       | 3             |
| Training                               | 187           |
| Operational Equipment                  | 271           |
| Buildings Maintenance                  | 448           |
| Usable Capital Receipts                | 210           |
| <b>Total</b>                           | <b>10,490</b> |

## **5 Capital Programme 2025/26**

Members approved the 2025/26 capital programme in February 2025 and these schemes have been added to the schemes approved previously that have not yet been completed.

Appendix A shows progress on the programme to September 2025.

## **6 Annual Treasury Review 2024/25**

### **Compliance with the Treasury Policy Statement**

This review is presented in accordance with the Fire Authority's Treasury Policy Statement, which complies with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury

Management in Local Authorities. The Code requires an annual review report of the previous year.

This is the annual review report for 2024/25.

## Treasury Management

Treasury Management in this context is defined as “The management of the local authority’s investments, 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.”

Shropshire Council (SC) carries out treasury management on behalf of the Fire Authority. This entails monitoring bank balances, investing surplus cash in the short term and arranging and advising on borrowing, both long-term and short-term. In practice, investment and borrowing for the Fire Authority is carried out alongside, and in the same manner as, that for the Council.

## Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities are required to prepare a Capital Strategy which is intended to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The Capital Strategy was reviewed and approved by the Fire Authority at its meeting in February 2024.

## Current Portfolio

The Fire Authority’s treasury position at 31 March 2025 is set out below with the previous year in brackets.

|           |  | <b>Balance at<br/>31 March 2025<br/>£000</b> | <b>Interest Rate<br/><sup>1</sup> 24/25<br/>%</b> |
|-----------|--|--|---|
| <b>a)</b> | <b>Outstanding debt for capital purposes</b><br>Fixed Rate | <b>5,045 (5,255)</b>                         | <b>4.27 (4.27)</b>                                |
| <b>b)</b> | <b>Investments</b><br>SC Treasury Team                     | <b>8,500 (7,000)</b>                         | <b>4.80 (4.72)</b>                                |

### Note<sup>1</sup>

The interest rates shown represent:

- a) The average cost of the debt portfolio; and
- b) The average return on cash investments during the year.

### **Borrowing**

The Fire Authority’s approach to borrowing has continued to be the use of cash balances to finance new capital expenditure, to run down cash balances and minimise counterparty risk incurred on investments.

As a result, no new borrowing was entered into during 2024/25.

**Maturity structure of borrowing** – the level of debt maturing over the next 50 years is summarised in the table below:

| <b>Maturity structure of fixed interest rate borrowing<br/>2024/25</b> |              |              |
|--|--------------|--------------|
|  | <b>Lower</b> | <b>Upper</b> |
| Under 12 months  | 0%           | 0%           |
| 12 months to 2 years   | 0%           | 4%           |
| 2 years to 5 years   | 0%           | 8%           |
| 5 years to 10 years  | 0%           | 41%          |
| 10 years to 20 years   | 0%           | 14%          |
| 20 years to 30 years   | 0%           | 29%          |
| 30 years to 40 years   | 0%           | 4%           |
| 40 years to 50 years   | 0%           | 0%           |

### **Investment Rates in 2024/25**

The average daily SONIA (Sterling Overnight Index Average) rate, with which to compare the investment return achieved for the Fire Authority by Treasury Services, was 4.94% for 2024/25.

### **2024/25 Actual Prudential Indicators**

In line with the CIPFA Prudential Code for Capital Finance, the Treasurer is required to establish procedures to monitor performance against all forward-looking prudential indicators and, in particular, that net external borrowing does not (except in the short term) exceed the requirement to borrow for capital purposes.

The legislation requires that actual indicators are produced at the year end and those for 2024/25 are, therefore, set out below.

|   | 2023/24<br>Actual<br>£000 | 2024/25<br>Budget<br>£000 | 2024/25<br>Actual<br>£000 |
|---|---------------------------|---------------------------|---------------------------|
| <b>Capital Expenditure Payments</b>                   | 6,509                     | 10,069                    | 6,162                     |
| <b>Funding:</b>                                       |                           |                           |                           |
| Borrowing   | 5,295                     | 2,446                     | 2,193                     |
| Reserves  | 1,085                     | 7,623                     | 3,969                     |
| Cap Receipt   | 129                       | 0                         | 0                         |
| <b>Ratio of Financing Costs to Net Revenue Stream</b> | 3.06%                     | 6.11%                     | 3.97%                     |

### **Capital Financing Requirement**

The capital financing requirement has reduced due to the decision to fund capital schemes with reserves and balances, thereby reducing the borrowing requirement.

### **Net Investment**

Net investment at 31 March 2025 was £3,455m. Short-term investments of £8.500m were offset by gross borrowing of £5.045m.

### **Actual External Debt**

Actual external debt at 31 March 2025 was £5.045m.

The Authority operated within its Operational Boundary (set at £16.620m) and Authorised Limit (£19.620m).

### **Treasury Management Indicators**

1. An upper limit of 100% of external debt can be borrowed at fixed interest rates. All of the Fire Authority's external debt is at fixed rates. All of this debt is also arranged for longer than 10 years, which is in accordance with the Prudential Indicator.
2. No money has been invested for more than 365 days.
3. At 31 March 2025, all funds were invested at fixed rates.

## 7 Mid-Year Treasury Review 2025/26

### Compliance with the Treasury Policy Statement

This review is presented in accordance with the Fire Authority's Treasury Policy Statement, which complies with the CIPFA Code of Practice on Treasury Management in Local Authorities. The Code requires a mid-year review report of the current year.

This is the mid-year review report for 2025/26.

### Current Portfolio

The Fire Authority's treasury position as at 30 September 2025 is set out below, with the position as at 31 March 2025 in brackets.

|   | <b>Balance at<br/>30 Sept 2025<br/>£000</b> | <b>Interest Rate <sup>1</sup><br/>30 Sept 2025<br/>%</b> |
|---|---|--|
| <b>a) Outstanding debt for capital purposes</b> | 5,045 (5,045)                               | 4.37 (4.27)  |
| Fixed Rate                                      |   |  |
| <b>b) Investments</b>                           | 8,100 (8,500)                               | 4.18 (4.80)  |
| SC Treasury Team                                |   |  |

### Note 1

The interest rates shown represent:

- a) The average cost of the debt portfolio; and
- b) The average return on cash investments during the year.

### Borrowing

The Fire Authority's approach to borrowing continues to be the use of cash balances to finance new capital expenditure, to run down cash balances and minimise counterparty risk incurred on investments. The Fire Authority agreed to use surplus revenue balances to fund capital schemes, to maximise revenue savings in debt charges. However, major improvements at Telford and other capital schemes will require new borrowing over the next few years, and officers will continue to monitor the most opportune time to borrow.

No new borrowing has been entered into during the first half of 2025/26. The average borrowing rate for the total portfolio is 4.46%.

### The Economy and Interest Rates

The first half of 2025/26 saw an increase in GDP of 0.3% in the first quarter, reducing in the latter months. This would have caused some concern, with the hike in taxes for businesses playing a part in restraining growth. Looking

ahead, ongoing speculation about further tax rises in the Autumn Budget on 26 November will remain a drag on GDP growth for a while yet.

CPI inflation has ebbed and flowed but finished September at 3.8%, in a similar position to the start of the year. With food inflation rising to an 18-month high of 5.1% and households' expectations for inflation standing at a six year high, a further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.

The Bank of England cut interest rates from 4.5% to 4.25% in May, and then to 4% in August. The Monetary Policy Committee (MPC) stated that the August cut was a finely balanced decision, with the Committee wary of making any further rate cuts until inflation begins a slow downward trajectory back towards 2%.

The Bank of England does not anticipate CPI getting to 2% until early 2027.

### **Interest Rate Forecasts**

MUFG Corporate Markets are appointed by Shropshire Council's Treasury Services to formulate a view on future interest rates.

The latest forecast on 11 August sets out a view that short, medium and long-dated interest rates will fall back over the next year or two, although there are upside risks in respect of sticking inflation and a continuing tight labour market.

### **Investment Rates in the First Half of 2025/26**

The average daily SONIA rate, with which to compare the investment return achieved for the Fire Authority by Treasury Services, was 4.19% for the first half of 2025/26. The actual investment return was 4.18%.

## **8 2025/26 Prudential Indicators**

In line with the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance, the Treasurer is required to establish procedures to monitor performance against all forward looking prudential indicators and that net external borrowing does not (except in the short term) exceed the requirement to borrow for capital purposes.

The Fire Authority has established that it will receive regular monitoring reports during the year; the position to the end of September 2025 is shown below.

| <b>Indicator</b>  | <b>Set<br/>2025/26<br/>£'000</b> | <b>Actual<br/>2025/26<br/>£'000</b> |
|---|----------------------------------|-------------------------------------|
| <p><b>Capital Financing Requirement</b><br/>This is the amount required by the Authority to fund its capital investment and has increased due to the anticipated borrowing for Telford and other capital schemes. This includes all capital investment expected to be made this year, less any contributions from revenue or grant.</p>   | 17,373                           | 14,448                              |
| <p><b>Operational Boundary</b><br/>The Boundary represents the capital investment entered into by the Authority, including any loans to be taken during the year. Unlike the Authorised Limit, this may be exceeded, although this would require some investigation.</p>  | 17,373                           | 5,045                               |
| <p><b>Authorised Limit for External Debt</b><br/>The Authorised Limit represents the amount required to fund the Authority's capital financing, plus a provision for temporary borrowing, should the receipt of revenue money be delayed, although this should happen very rarely. Borrowing currently stands at £5.255m, well within the indicator. No temporary borrowing has been necessary.</p> | 20,373                           | 14,448                              |

## **Current Investments**

Funds currently invested are shown below:

| <b>Counterparty</b>          | <b>£m</b>   |
|------------------------------|-------------|
| Central Bedfordshire Council | 2.00        |
| Handelsbanken                | 1.10        |
| Debt Management Office       | 5.00        |
| <b>Total</b>                 | <b>8.10</b> |

Handelsbanken is a Swedish bank which remains on the Authority's current acceptable counterparties list for investment.

The interest on investments earned to the end of September is £380,039 – an average rate of return of 4.18%.

## **9 Financial Implications**

The financial implications are as set out in the main body of the report.

## **10 Legal Comment**

There are no direct legal implications arising from this report.

## **11 Initial Impact Assessment**

An Initial Impact Assessment has been completed.

## **12 Appendices**

Appendix – Capital Programme as at 30 September 2025

## **13 Background Papers**

There are no background papers associated with this report.