

<b>This report is public</b>	
<b>Treasury Management Report – Outturn 2025/26</b>	
<b>Committee</b>	Audit and Governance Committee
<b>Date of Committee</b>	17 June 2026
<b>Portfolio Holder presenting the report</b>	Portfolio Holder for Finance, Cllr David Hingley
<b>Date Portfolio Holder agreed report</b>	4 June 2026
<b>Report of</b>	Assistant Director of Finance (S151), Michael Furness

## Purpose of report

To provide information on treasury management performance and compliance with treasury management policy for 2025-26 as required by the Treasury Management Code of Practice.

To demonstrate that all treasury management activities undertaken during the reporting period complied with the CIPFA Code of Practice and the council's approved Treasury Management Strategy.

## 1. Recommendations

The Audit Governance and Risk Committee resolves:

- 1.1 To note the contents of this Treasury Management Performance Report and recommend it be received by Council.

## 2. Executive Summary

- 2.1 The council complies with the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the council to approve Treasury Management semi-annual and annual reports.
- 2.2 The council's Treasury Management Strategy for 2025-26 was approved by Council on 24 February 2025. The Treasury indicators have been included in this report as per the 2021 CIPFA Treasury Management in the Public Services Code of Practice requirements.

### Implications & Impact Assessments

<b>Implications</b>	<b>Commentary</b>
<b>Finance</b>	The financial implications have been taken into account in the Budget Management reports considered by Executive.

	Joanne Kaye, Head of Finance and D151 20 May 2026			
<b>Legal</b>	The presentation of the report is required by regulations issued under the Local Government Act 2003 to review the treasury management activities, the actual prudential indicators and the treasury related indicators. Denzil Turbevill, Head of Legal • Law & Governance 19 May 2026			
<b>Risk Management</b>	It is essential that this report is considered by the Audit and Risk Committee as it demonstrates that the risk of not complying with the council's Treasury Management Policy has been avoided. This and any other risks related to this report will be managed through the service operational risk and escalated to the leadership risk register as and when necessary. Celia Prado-Teeling, Performance and Insight Team Leader 19 May 2026			
<b>Impact Assessments</b>	Positive	Neutral	Negative	Commentary
<b>Equality Impact</b>		X		Not applicable
<b>A</b> Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		Not applicable
<b>B</b> Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		Not applicable
<b>Climate &amp; Environmental Impact</b>		X		Investments made in line with approved Treasury Strategy
<b>ICT &amp; Digital Impact</b>				Not applicable
<b>Data Impact</b>				Not applicable
<b>Procurement &amp; subsidy</b>				Not applicable

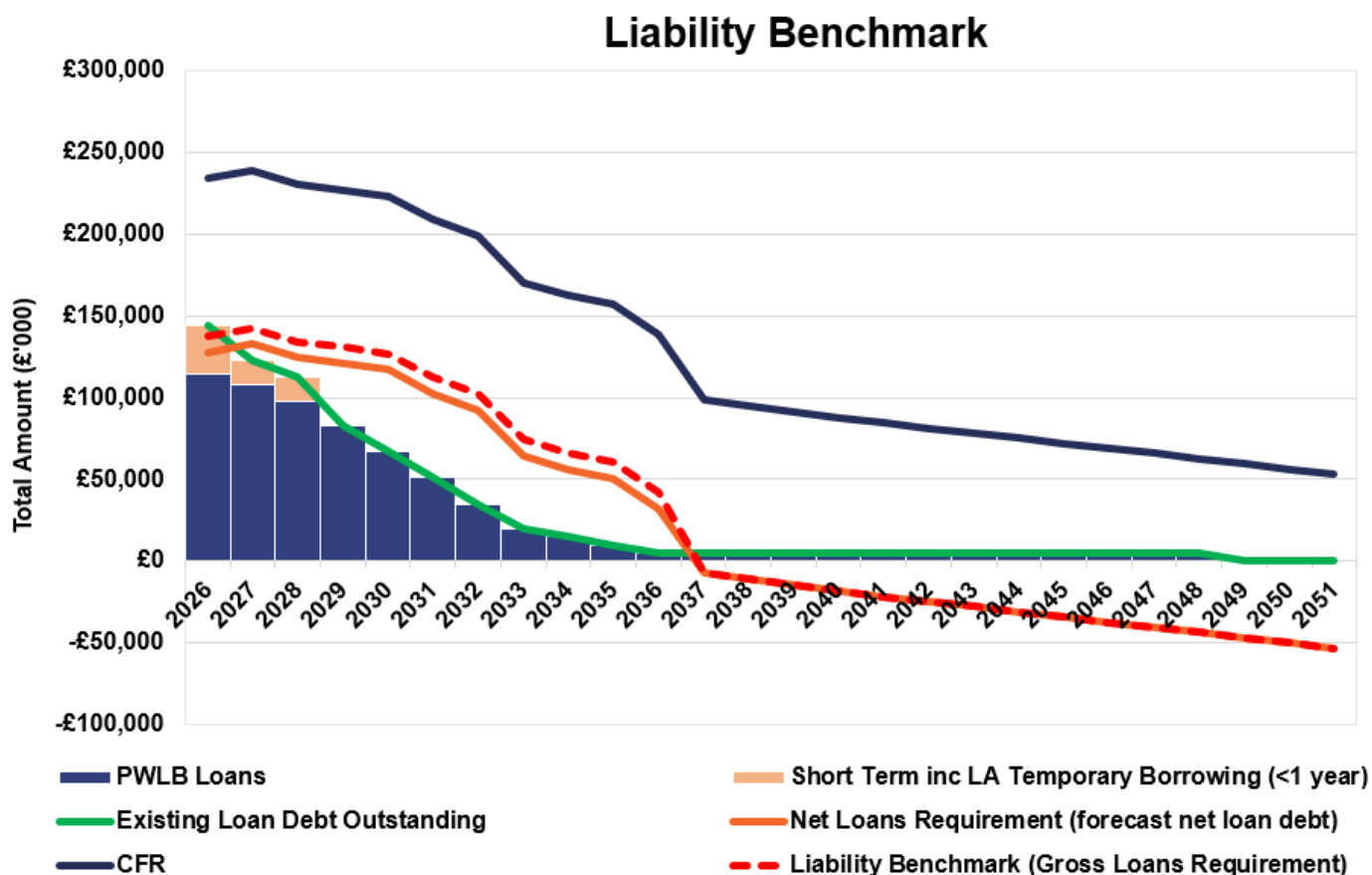
<b>Council Priorities</b>	Not applicable
<b>Human Resources</b>	Not applicable
<b>Property</b>	Not applicable
<b>Consultation &amp; Engagement</b>	Not applicable

## Supporting Information

### 3. Background

- 3.1 It is a statutory duty for the council to determine and keep under review its affordable borrowing limits. During 2025/26, the council has operated within the treasury and prudential indicators set out in the council's Treasury Management Strategy Statement for 2025/26. The Assistant Director of Finance reports that no difficulties are envisaged for future years in complying with these indicators.
- 3.2 At 31 March 2026, the council had borrowing of £144m and investments of £16m, giving a net borrowing position of £128m. This is an increase from £115m on 31 December 2025 which was anticipated due to the annual precepting cycle.
- 3.3 The net borrowing position at the end of March 2025 was £160m. The year-on-year reduction is primarily attributable to a £14.6m discount received from the PWLB following the early repayment of a 50-year loan, combined with a £9.8m unanticipated growth in receipts from business rates and slippage in capital expenditure.
- 3.4 The Liability benchmark is a prudential indicator which shows the Capital Financing Requirement (CFR), loan requirements and committed loans in a 25-year forecast. This graph reflects the council's position on the assumption that no additional capital expenditure is financed through borrowing beyond the current capital programme period.

Table 1: Liability benchmark



\* The CFR figures have not yet been finalised. Subject to change pending draft Statement of Accounts.

The graph above demonstrates the following:

- 3.4.1 The council is expecting its loans to decrease in line with the forecast Liability benchmark (gross loan requirement) and that it will not be in an overborrowed position in the future.
- 3.4.2 Cash flow is being actively managed by utilising internal borrowing (comprising of reserves and working capital) to bridge the shortfall between the CFR and net loan requirement. The assumption has been made that the amount of internal borrowing will remain at the same levels in future years.
- 3.4.3 New loans will need to be secured to bridge the gap between the existing loan debt and the net loan requirement.
- 3.4.4 According to the current forecast, the requirement for borrowing ceases in the financial year 2037/38. The final £5 million PWLB loan, with a fixed interest rate of 2.5%, is scheduled to mature on 31 May 2048.

## 4. Details

### Borrowing performance year ending 31 March 2026

- 4.1 The council continues to pursue its strategy of keeping borrowing below its Capital Financing requirements, this is referred to as internal borrowing, in order to reduce risk and borrowing costs.
- 4.2 The council's main objective when borrowing is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.

Table 2: Borrowing Position year ending 31 March 2026

	<b>Borrowing Amount £m</b>	<b>Average Interest Rate</b>	<b>Interest Paid Budget £m</b>	<b>Interest Paid Actual £m</b>	<b>Variance to Date £m</b>
April to March 2026	156 (average)	2.87%	4.913	4.480	(0.433)
As at 31/03/26	144	2.83%	-	-	-

\* Interest payable relates to external loans only, excluding finance lease and other interest

- 4.3 As a comparison, the table below shows average borrowing rates.

Table 3: Average borrowing rates for the reporting period

**HIGH/LOW/AVERAGE PWLB RATES FOR 2025/26**

	<b>1 Year</b>	<b>5 Year</b>	<b>10 Year</b>	<b>25 Year</b>	<b>50 Year</b>
<b>Low</b>	4.25%	4.56%	5.13%	5.78%	5.46%
<b>Date</b>	27/02/2026	27/02/2026	02/03/2026	04/04/2025	04/04/2025
<b>High</b>	5.28%	5.47%	5.88%	6.43%	6.24%
<b>Date</b>	23/03/2026	23/03/2026	27/03/2026	27/03/2026	27/03/2026
<b>Average</b>	4.52%	4.82%	5.38%	6.06%	5.81%
<b>Spread</b>	1.03%	0.91%	0.75%	0.65%	0.78%

- 4.4 A full list of current borrowing is shown below:

Table 4: Borrowing

<b>Lender</b>	<b>Principal Borrowed £m</b>	<b>Interest rate</b>	<b>Maturity Date</b>
Middlesbrough Council	5	4.35%	13/04/2026
Lincolnshire County Council	5	4.30%	01/05/2026
Lincolnshire County Council	5	4.20%	29/05/2026
West Yorkshire Combined Authority	5	4.30%	30/06/2026
South Oxfordshire District Council	5	4.20%	17/07/2026
PWLB 7-year maturity	6	1.29%	19/09/2026
Portsmouth City Council	5	4.15%	28/09/2026
PWLB 5-year maturity	10	2.67%	26/07/2027
PWLB 10-year maturity	10	2.10%	31/05/2028
PWLB 6-year maturity	5	2.70%	26/07/2028
PWLB 7-year maturity	10	2.74%	26/07/2029
PWLB 10-year maturity	6	1.32%	25/09/2029
PWLB 8-year maturity	10	2.81%	26/07/2030
PWLB 11-year maturity	6	1.48%	19/09/2030

PWLB 9-year maturity	16	2.90%	26/07/2031
PWLB 10-year maturity	15	2.99%	26/07/2032
PWLB 15-year maturity	5	2.39%	31/05/2033
PWLB 15-year maturity	5	1.59%	25/09/2034
PWLB 16-year maturity	5	1.73%	19/09/2035
PWLB 30-year maturity	5	2.50%	31/05/2048
<b>TOTAL</b>	<b>144</b>		

- 4.5 The council monitors its exposure to refinancing risk with the maturity structure of borrowing indicator. While it is important to have flexibility to navigate changing market conditions it is critical that loan repayments are spread appropriately. The lower limit has been considered but kept at zero to ensure that the council is not forced into taking borrowing in a particular category that would lock it into an unfavourable borrowing situation.

Table 5: Maturity structure of borrowing

Refinancing rate risk indicator	Upper limit	Lower limit	Actual structure
Under 12 months	50%	0%	25%
12 months and within 24 months	50%	0%	7%
24 months and within 5 years	60%	0%	33%
5 years and within 10 years	70%	0%	32%
10 years and above	80%	0%	3%

## Investment performance year ending 31 March 2026

- 4.6 Funds available for investment are on a temporary basis because the council prioritises keeping borrowing to a minimum and only invests surplus funds retained to meet its commitments. The availability of investable funds is primarily influenced by the timing of precept payments, receipt of grants and funding of the Capital Programme.
- 4.7 Table 6 below shows the investment position during and at the end of the reporting period. Treasury management interest income has exceeded budget expectations and the investment at year end exceed the £10m liquidity buffer.

Table 6: Investment Position

	Investment Amount £m	Average Interest Rate	Interest Earned Budget £m	Interest Earned Actual £m	Variance to Date £m
April to March 2026	31 (average)	4.19%	(1.067)	(1.314)	(0.247)
As at 31/03/26	16	4.51%	-	-	-

- 4.8 As a comparison, Table 7 below shows average money-market rates. The average investment period for fixed deposits for this quarter is 38 days.

Table 7: Average investment rates for the reporting period

FINANCIAL YEAR TO QUARTER ENDED 31/03/2026						
	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
High	4.50	4.46	4.47	4.36	4.28	4.47
High Date	01/04/2025	07/05/2025	03/04/2025	02/04/2025	02/04/2025	23/03/2026
Low	3.75	3.72	3.65	3.57	3.49	3.40
Low Date	18/12/2025	22/12/2025	27/02/2026	27/02/2026	27/02/2026	27/02/2026
Average	4.04	4.01	3.98	3.94	3.87	3.77
Spread	0.75	0.74	0.81	0.79	0.79	1.08

- 4.9 While the council is always looking for ways to invest sustainably (or green investments) this must be done within the criteria laid out in the approved Treasury Management Strategy with counterparties that meet the council's investment criteria. Security, liquidity and yield remain the primary investment considerations as required by the Treasury Management Code.

The council continues to invest in three Money Market funds that meet the criteria pursuant to Article 8 of the Sustainable Finance Disclosure Regulation (Regulation EU/2019/2088). These are highlighted in green in the full list of current investments in Table 8 below.

Table 8: Investments

Counterparty	Principal Deposited £m	Interest Rate	Maturity Date / Notice period
<u>Fixed Term Deposits</u>			
Surrey Heath Borough Council	5.00	5.50%	14/04/2026
Bedford Borough Council	4.00	6.42%	30/04/2026
<u>Money Market Funds</u>			
Royal London Asset Management	1.00	3.84%	1-day notice
Legal & General Investment Management	1.32	3.83%	Same day
Federated Investors UK	5.00	3.82%	Same day
Northern Trust Asset Managements	0.02	3.78%	Same day
CCLA Investment Management Limited	0.02	3.74%	Same day
Goldman Sachs Asset Management	0.02	3.71%	Same day
<b>TOTAL</b>	<b>16.38</b>		

- 4.10 Compliance with investment limits are detailed in Table 9 below:

Table 9: Investment Limits

Counterparty	2025/26 Limit £m	Complied?
UK Central Government	Unlimited	Yes
Other Local Authorities	5 each	Yes

Any group of organisations under the same ownership	5 per group	Yes
Approved counterparties – Banks/Building Societies	3 each	Yes
Any group of pooled funds under the same management	5 per manager	Yes
Money Market Funds total	20 in total	Yes

- 4.11 The council sets limits on long-term treasury investments to control liquidity risk and avoid early withdrawal to recover funds. This indicator applies only to treasury management investments.

Table 10: Limits for Long Term Treasury Management Investments

	2025/26 Limit set £m	Complied?
Limit on principal invested beyond year end	5	Yes

### Non-treasury investment activity

- 4.12 The definition of investments in CIPFA's revised Treasury Management Code covers all the financial assets of the council. This is replicated in the government's Statutory Guidance on Local Government Investments, in which the definition of investments is further broadened to also include all such assets that provide a financial return.
- 4.13 As of 31 March 2026, the council holds £102.9m of investments that qualify under the code in the form of shares (£45.1m) and loans (£57.8m) to subsidiary companies and other organisations, primarily Graven Hill and Crown House.
- 4.14 In accordance with IFRS9 the fair value of the loan provided to Crown House has been revised. The loan is at a non-market rate of interest and has therefore been discounted using an effective interest rate of 5%, which the directors consider to be an appropriate market rate. The difference between the cash advanced and the present value of the loan has been treated as an investment in the Company.
- 4.15 The loan elements of these non-treasury investments generate a higher rate of return than that earned on treasury investments due to the commercial nature of the loans issued. Table 10 below shows the investment position for this reporting period.

Table 11: Non-treasury Investment Position

	Investment Amount £m	Average Interest Rate	Interest Earned Budget £m	Interest Earned Actual £m	Variance to Date £m
April to March 2026	57.8 (average)	6.76%	(3.943)	(4.069)	(0.126)
As at 31/03/26	57.8	6.76%	-	-	-

## Overall performance

4.16 The overall performance for the 2025/26 financial year is:

Table 12: Overall Treasury Position for the Period

	<b>Budget 25/26 £m</b>	<b>Actual 25/26 £m</b>	<b>Variance 25/26 £m</b>
Borrowing costs	4.913	4.480	(0.433)
Other interest payable	0.769	(0.001)	(0.770)
Other interest receivable	0.000	(1.459)	(1.459)
Treasury income	(1.067)	(1.314)	(0.247)
Non-treasury income	(3.943)	(4.069)	(0.126)
Transfer to Reserves	0.000	1.957	1.957
<b>Total cost / (income)</b>	<b>0.672</b>	<b>(0.406)</b>	<b>(1.078)</b>

- 4.17 Borrowing costs were (£0.433m) below budget due to careful management and the strategic decision to maintain a reduced £10m liquidity buffer. This achieved savings without affecting the council's ability to meet cashflow obligations.
- 4.18 The (£0.770m) saving recorded as 'Other interest payable' resulted from a change in the council's policy of ringfencing interest on funding treated as receipts in advance.
- 4.19 Following the early repayment of a 50-year PWLB loan, a discount was received. The discount is to be amortised over 10 years, resulting in a (£1.459m) non-cash windfall, reflected as a surplus in 'Other interest receivable' in table 12 above.
- 4.20 Treasury income exceeded budget by (£0.247m) driven by proactive management and interest rates remaining higher than forecast.
- 4.21 Non treasury income exceed budget by (£0.126m) due to the IFRS 9 accounting treatment resulting in a revision to the fair value of the loan to Crown House.
- 4.22 Transfers to Reserves represents 2025/26's £1.459m share of the amortised PWLB early redemption premium and £0.498m of treasury management surpluses arising from improvements in the cost of borrowing and investment returns declared in the first quarter of 2025/26.
- 4.23 Overall the strong Treasury performance has increased the Interest Rate Equalisation reserve by (£1.957m), while the (£1.078m) surplus is being used to offset service overspends.

## Interest rate forecast

- 4.24 Before the conflict in Iran, the market expected the Bank of England (BoE) to cut rates multiple times in 2026 due to easing inflation. Currently the market is now forecasting that the BoE's Monetary Policy Committee (MPC) will raise the base

rate at least once this calendar year, with some experts anticipating multiple increases.

- 4.25 MUFG Corporate Markets are the council's treasury advisors, and part of their service is to assist the council to formulate a view on interest rates. They released their revised forecast on the 25 March 2026 which has a more optimistic view that the interest rates will remain unchanged for the 2026/27 financial year.

Table 13: Forecast Rates

MUFG Corporate Markets Interest Rate View 25.03.26												
	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.75	3.75	3.75	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	3.90	3.80	3.80	3.70	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.20	4.10	4.00	3.90	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50
12 month ave earnings	4.60	4.50	4.40	4.20	4.20	4.00	4.00	3.80	3.80	3.80	3.80	3.80
5 yr PWLB	5.00	5.00	4.90	4.80	4.60	4.40	4.20	4.20	4.10	4.10	4.10	4.10
10 yr PWLB	5.50	5.50	5.40	5.30	5.10	4.90	4.70	4.70	4.60	4.60	4.60	4.60
25 yr PWLB	6.00	6.00	5.90	5.80	5.60	5.40	5.20	5.20	5.20	5.20	5.10	5.10
50 yr PWLB	5.80	5.80	5.70	5.50	5.40	5.20	5.00	5.00	5.00	5.00	4.90	4.90

## 5. Alternative Options and Reasons for Rejection

- 5.1 The nature of this report is such that alternative options are not appropriate. It is an option to request further information on the performance reported.

## 6 Conclusion and Reasons for Recommendations

- 6.1 This report presents the council's Treasury Performance for the 2025/26 financial year. It is submitted to the Audit and Governance Committee for information in line with the Treasury Management Code of Practice

### Decision Information

Key Decision	N/A
Subject to Call in	N/A
If not, why not subject to call in	N/A
Ward(s) Affected	All

### Document Information

Appendices	
Appendix 1	Capital Prudential Indicators

<b>Background Papers</b>	None
<b>Reference Papers</b>	Treasury Management Report – Q3 2025/26 (Dec 25) <a href="https://modgov.cherwell.gov.uk/documents/s62835/Treasury%20Management%20Report%20-%20Q3%20202526%20Dec%202025.pdf">https://modgov.cherwell.gov.uk/documents/s62835/Treasury%20Management%20Report%20-%20Q3%20202526%20Dec%202025.pdf</a> Treasury Management Strategy 2025-26 <a href="https://modgov.cherwell.gov.uk/documents/s58192/Appendix%20-%20Treasury%20Management%20Strategy%202025-26.pdf">https://modgov.cherwell.gov.uk/documents/s58192/Appendix%20-%20Treasury%20Management%20Strategy%202025-26.pdf</a>
<b>Report Author</b>	Janet du Preez Finance Business Partner – Treasury and Insurance
<b>Contact details</b>	<a href="mailto:janet.du-preez@cherwell-dc.gov.uk">janet.du-preez@cherwell-dc.gov.uk</a> 01295 221606
<b>Executive Director Approval (unless Executive Director or Statutory Officer report)</b>	Report of Statutory Officer, Section 151 Officer, 18 May 2026