This report is public	
Treasury Management Report – Quarter 1 2026/27	
Committee	Audit and Governance Committee
Date of Committee	22 July 2026
Portfolio Holder presenting the report	Councillor David Hingley, Portfolio Holder for Finance
Date Portfolio Holder agreed report	14 June 2026
Report of	Assistant Director of Finance (S151 Officer), Michael Furness

Purpose of report

To provide information on treasury management performance and compliance with treasury management policy for 2026-27 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 and Governance Committee resolves:

1.1 To note the contents of this Treasury Management Performance Report.

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 2026-27 was approved by Council on 23 February 2026. 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

Implications	Commentary
Finance	The financial implications have been taken into account in the Budget Management reports considered by Executive. Comments checked by: Joanne Kaye, Head of Finance and D151 7 July 2026
Legal	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. Comments checked by: Denzil Turbervill, Head of Legal 7 July 2026
Risk Management	It is essential that this report is considered by the Audit 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. Comments checked by: Celia Prado-Teeling, Performance and Insight Team Leader 8 July 2026

Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact		X		Not applicable
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		Not applicable
B Will the proposed decision have an impact upon the lives of people with protected characteristics,		X		Not applicable

including employees and service users?				
Climate & Environmental Impact		X		Investments made in line with approved Treasury Strategy
ICT & Digital Impact				Not applicable
Data Impact				Not applicable
Procurement & subsidy				Not applicable
Council Priorities	Not applicable			
Human Resources	Not applicable			
Property	Not applicable			
Consultation & Engagement	Not applicable			

Supporting Information

3. Background

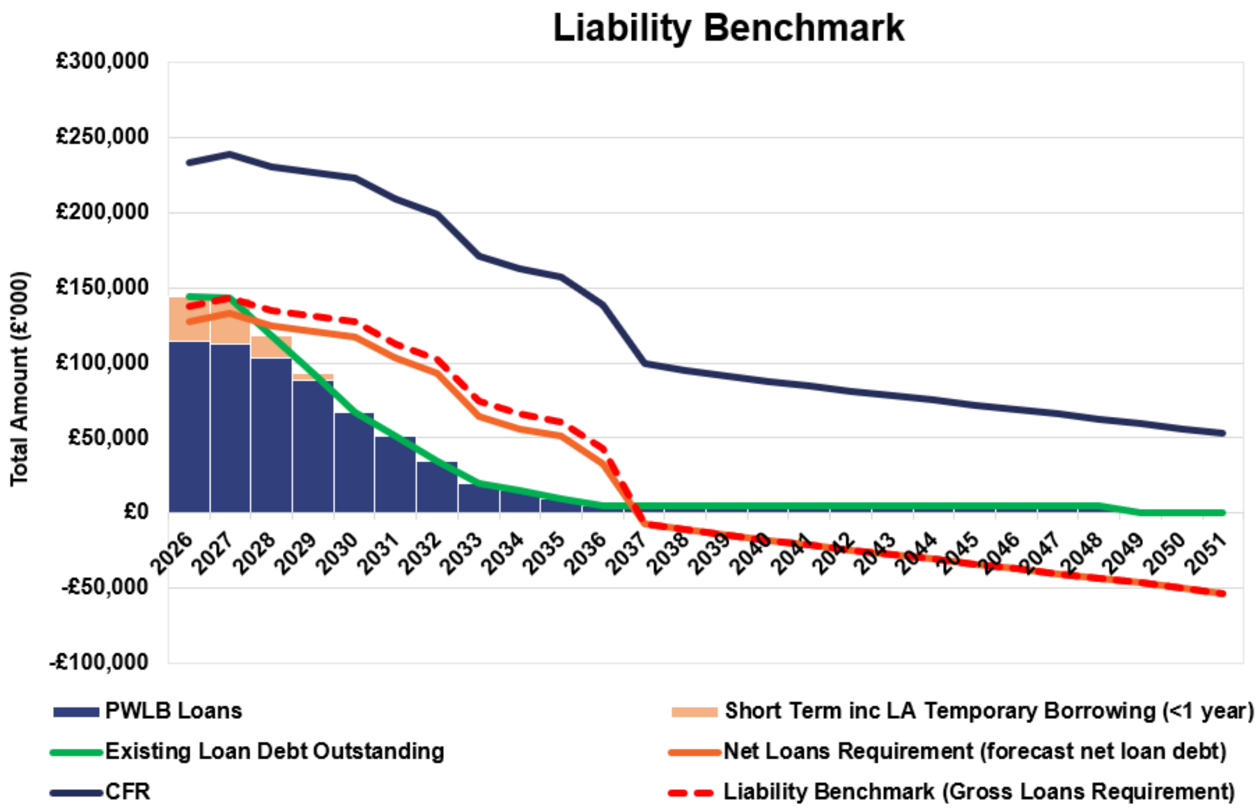
3.1 It is a statutory duty for the council to determine and keep under review its affordable borrowing limits. During the first quarter 2026/27, the council has operated within the treasury and prudential indicators set out in the council's Treasury Management Strategy Statement for 2026/27. The Assistant Director of Finance reports that no difficulties are envisaged for future years in complying with these indicators.

3.2 At 30 June 2026, the council had external loans to the value of £154m and investments of £28m, giving a net borrowing position of £126m. This is an improvement from £128m at the start of the financial year which was anticipated due to the annual precepting cycle.

3.3 The year-end gross borrowing position is forecast at £155.4m within the 2026/27 Capital and Investment Strategy, primarily reflecting a £9.6m increase in the forecast Capital Financing Requirement (CFR) for 2026/27.

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 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 continue in an under borrowed 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 In future years 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 for first quarter ending 30 June 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 for quarter ended 30 June 2026

	Borrowing Amount £m	Average Interest Rate	Interest Paid Budget £m	Interest Paid Actual £m	Variance to Date £m
April to June 2026	150 (average)	2.86%	1.092	1.092	0.000
As at 30/06/26	154	2.95%	-	-	-

* 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

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2026	4.93%	5.16%	5.62%	6.20%	6.00%
30/06/2026	4.77%	5.07%	5.55%	6.17%	5.98%
Low	4.75%	5.04%	5.50%	6.09%	5.89%
Low date	26/06/2026	08/04/2026	08/04/2026	08/04/2026	08/04/2026
High	5.17%	5.49%	5.98%	6.57%	6.35%
High date	30/04/2026	18/05/2026	18/05/2026	18/05/2026	18/05/2026
Average	4.92%	5.23%	5.71%	6.31%	6.11%
Spread	0.42%	0.45%	0.48%	0.48%	0.46%

4.4 A full list of current borrowing is shown in table 4:

Table 4: Borrowing

Lender	Principal Borrowed £m	Interest rate	Maturity Date
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
Middlesbrough Council	5	4.10%	30/09/2026
Lincolnshire County Council	5	4.50%	29/04/2027
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
West Midlands Combined Authority	10	4.50%	31/10/2028
West Midlands Combined Authority	5	4.60%	29/05/2029
PWLB 3-year maturity	5	5.13%	08/06/2029
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
TOTAL	**154**		

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	Amount £m
Under 12 months	50%	0%	17%	26
12 months and within 24 months	50%	0%	13%	20
24 months and within 5 years	60%	0%	37%	57
5 years and within 10 years	70%	0%	30%	46
10 years and above	80%	0%	3%	5

Investment performance for first quarter ending 30 June 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 Demand for funding from other councils has continued at rates higher than those available through bank investments, enabling investment income to exceed the budget. Table 6 below shows the investment position during and at the end of the reporting period.

Table 6: Investment Position

	Investment Amount £m	Average Interest Rate	Interest Earned Budget £m	Interest Earned Actual £m	Variance to Date £m
April to June 2026	29 (average)	4.10%	(0.206)	(0.295)	(0.089)
As at 30/06/26	28	4.00%	-	-	-

4.8 As a comparison, Table 7 below shows average money-market rates. The average investment period for fixed deposits for this quarter is 3.8 months or 116 days.

Table 7: Average investment rates for the reporting period

FINANCIAL YEAR TO QUARTER ENDED 30/06/2026						
	Bank Rate	**SONIA**	**1 mth**	**3 mth**	**6 mth**	**12 mth**
High	3.75	3.73	3.76	3.86	4.08	4.35
High Date	01/04/2026	30/06/2026	23/04/2026	30/04/2026	30/04/2026	30/04/2026
Low	3.75	3.73	3.74	3.77	3.84	3.96
Low Date	01/04/2026	09/06/2026	22/06/2026	26/06/2026	26/06/2026	26/06/2026
Average	3.75	3.73	3.74	3.81	3.94	4.14
Spread	0.00	0.00	0.02	0.09	0.23	0.39

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
Fixed Term Deposits			
Cornwall Council	5.00	4.10%	02/07/2026
Stockport Council	5.00	4.15%	16/07/2026
Surrey County Council	5.00	4.20%	01/10/2026
Kirklees Council	5.00	4.30%	29/10/2026
Plymouth City Council	5.00	4.35%	08/12/2026
Money Market Funds			
Royal London Asset Management	1.01	3.90%	1-day notice
Federated Investors UK	1.34	3.90%	Same day
Legal & General Investment Management	0.77	3.87%	Same day
CCLA Investment Management Limited	0.02	3.83%	Same day
Northern Trust Asset Managements	0.02	3.81%	Same day
Goldman Sachs Asset Management	0.04	3.72%	Same day
TOTAL	**28.20**		

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

Table 9: Investment Limits

Counterparty	2026/27 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

Non-treasury investment activity

4.11 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.

4.12 As of 30 June 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.

4.13 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 11 below shows the investment position for this reporting period.

Table 10: Non-treasury Investment Position

	Investment Amount £m	**Average Interest Rate**	**Interest Earned Budget £m**	**Interest Earned Actual £m**	**Variance to Date £m**
April to June 2026	57.8 (average)	6.74%	(0.997)	(1.015)	(0.018)
As at 30/06/26	57.8	6.74%	-	-	-

Overall performance

4.14 The overall performance for the period April to June 2026, is:

Table 11: Overall Treasury Position for the Period

	Period Budget 26/27 £m	**Period Actual 26/27 £m**	**Period Variance 26/27 £m**
Borrowing costs	1.092	1.092	0.000
Other interest payable	0.000	0.001	0.001
Treasury income	(0.206)	(0.295)	(0.089)
Non-treasury income	(0.997)	(1.015)	(0.018)
Total cost / (income)	**(0.111)**	**(0.217)**	**(0.106)**

4.15 At the end of June 2026, the forecast in Table 12, Treasury income is forecast to outperform budget due to careful management.

Table 12: Overall Treasury Position Forecast to Year End

	Full Year Budget £m	Full Year Forecast £m	Full Year Variance £m
Borrowing costs	4.368	4.368	0.000
Other interest payable	0.000	0.001	0.001
Treasury income	(0.826)	(1.003)	(0.177)
Non-treasury income	(3.988)	(4.061)	(0.073)
Total cost / (income)	**(0.446)**	**(0.695)**	**(0.249)**

4.16 There is a (£0.073m) improvement on non-treasury income from Crown House due to adjusting the fair value as per IFRS9.

Interest rate forecast

4.17 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.

4.18 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. The latest forecast was updated on 25th March 2026 as shown in Table 13 below:

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

4.19 The forecast has proved robust over the period since the end of March, setting out a central view that short and long-dated interest rates will start to fall once it is evident that the Bank of England will not have to contend with second-round inflationary effects emanating from the conflict in the Middle East. Nonetheless, the longer dated part of the forecast also reflects the poor state of the public finances and the uncertainty pertaining to the expected change in leadership of the Labour party.

4.20 Overall, MUFG's central view is that monetary policy is sufficiently tight for the likely increase in CPI inflation through the remainder of 2026 if growth remains tepid. They forecast the next reduction in Bank Rate to be made in September 2027, with Bank Rate falling to a low of 3.25% by the start of 2028.

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 details the Treasury Performance for the council for the first quarter of 2026/27 ending 30 June 2026. 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	No
If not, why not subject to call in	Not applicable
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	Appendix 1 – Capital Prudential Indicators
Background Papers	Treasury Management Outturn Report 2025/26 (March 26) https://modgov.cherwell.gov.uk/documents/s63386/Treasury%20Management%20Report%20Outturn%20202526.pdf
Reference Papers	Treasury Management Strategy 2026-27 https://modgov.cherwell.gov.uk/documents/s62523/Appendix%2021%20-%20Treasury%20Management%20Strategy%202026-27.pdf Capital and Investment Strategy 2026-27 https://modgov.cherwell.gov.uk/documents/s62521/Appendix%2019%20-%20Capital%20and%20Investment%20Strategy%202026-27.pdf
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Corporate Director or Statutory Officer report)	8 July 2026