CABINET

15 SEPTEMBER 2026

TREASURY MANAGEMENT QUARTER 1 PERFORMANCE REPORT 2026/27

Report by Deputy Chief Executive (Section 151 Officer)

RECOMMENDATION

a) **Cabinet is RECOMMENDED to note the council's treasury management activity at the end of the first quarter of 2026/27.**

Executive Summary

1. Treasury management is defined as: "The management of the organisation's borrowing, investments and cash flows, including 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."

2. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) 'Code of Practice on Treasury Management 2021' requires that committee to which some treasury management responsibilities are delegated, will receive regular monitoring reports on treasury management activities and risks. This report is the first for the 2026/27 financial year and sets out the position at 30 June 2026.

3. Throughout this report, the performance for the first quarter of the year to June 2026 is measured against the budget agreed by Council in February 2026.

4. As at 30 June 2026, the council's outstanding debt totalled £261m and the average rate of interest paid on long-term debt during the quarter was 4.42%. No external borrowing was raised during the quarter, whilst £4m of maturing Public Works Loan Board (PWLB), was repaid. The council's forecast debt financing position for 2026/27 is shown in Annex 1.

5. The Treasury Management Strategy for 2026/27 agreed in February 2025 assumed an average base rate of between 3.25 and 3.50%.

6. The average daily balance of temporary surplus cash invested in-house was expected to be £257m in 2026/27, with an average in-house return on new and existing deposits of 4.00%.

7. During the three months to 30 June 2026 the council achieved an average in-house return of 4.35% on average cash balances of £334.713m, producing gross

interest receivable of £3.630m. In relation to external funds, the return for the three months was £0.594m, bringing total investment income to £4.224m. This compares to budgeted investment income of £3.332m, giving a net overachievement of £0.892m for the first three months of the year.

8. At 30 June 2026, the council's investment portfolio totalled £387.914m. This comprised £258.000m of fixed term deposits, £37.184m at short term notice in money market funds and £92.730m in pooled funds with a variable net asset value. Annex 4 provides an analysis of the investment portfolio at 30 June 2026.

Treasury Management Activity

Debt Financing & Maturing Debt

9. The strategy for long term borrowing agreed in February 2026 included the option to fund new or replacement borrowing up to the value of £300m through internal borrowing. The aim was to reduce the council's exposure to credit risk and reduce the long-term cost of carry (difference between borrowing costs and investment returns).

10. The council is able to borrow from the Public Works Loan Board (PWLB) or through the money markets. Global and domestic macroeconomics events have caused UK Gilt yields to remain elevated. These are forecast to reduce over the medium term. Given the forecast for borrowing rates, the strategy for 2026/27 assumes no new external borrowing during the year, with any increase in the capital financing requirement met through internal borrowing. As an exception to this the council may consider raising further funding through a second community municipal investment.

11. As at 30 June 2026, the authority had 40 PWLB loans totalling £235.383m, four LOBO loans totalling £20m and two money market loans totalling £5.4m. The average rate of interest paid on PWLB debt was 4.47% and the average cost of market debt was 3.98%. The combined weighted average for interest paid on long-term debt was 4.42%. The council's debt portfolio as at 30 June 2026 is shown in Annex 1.

12. The council repaid £4m of maturing PWLB loans. The weighted average interest rate payable on the matured loans was 4.45%. No LOBO[1] loans were called and repaid in the first quarter of 2025/27. The forecast outturn for interest payable in 2026/27 is £11.110m.

Investment Strategy

13. The council holds deposits and invested funds representing income received in advance of expenditure plus balances and reserves. The guidance on Local Government Investments in England gives priority to security and liquidity and the council's aim is to achieve a yield commensurate with these principles. The

[1] LOBO (Lender's Option/Borrower's Option) Loans are long-term loans which include a re-pricing option for the bank at predetermined intervals.

council continued to adopt a cautious approach to lending to financial institutions and continuously monitored credit quality information relating to counterparties.

14. During the first quarter of the financial year term fixed deposits have been placed with other Local Authorities as per the approved lending list, whilst Money Market Funds have been utilised for short-term liquidity. Inter local authority lending remains an attractive market to deposit funds with from a security view point.

15. The Treasury Management Strategy Statement and Annual Investment Strategy for 2026/27 included the use of external fund managers and pooled funds to diversify the investment portfolio through the use of different investment instruments, investment in different markets, and exposure to a range of counterparties. Whilst it is expected that these funds should outperform the council's in-house investment performance over a rolling three-year period, the Treasury Management Strategy Team (TMST) are considering reducing the exposure to these funds. This is in the context of the current value, which is above the purchase price of £88m and to assist with an orderly transfer of investments and the availability of cash balances in the medium term ahead of of Local Government Reorganisation from 1 April 2028.

16. At the start of the year the UK Bank Rate was 3.75% which was in line with the forecast. Base rate remained at this level for the first quarter. The market is forecasting that base rate will rise to 4.25% by the end of the financial year, however the TMST central forecast is that it will remain at 3.75% for 2026/27.

The Council's Lending List

17. In-house cash balances are deposited with institutions that meet the council's approved credit rating criteria. The approved lending list, which sets out those institutions, is updated to reflect changes in bank and building society credit ratings. Changes are reported to Cabinet as part of the Business Management & Monitoring Report. The approved lending list may also be further restricted by officers, in response to changing conditions and perceived risk. There were no changes to the lending list during the first quarter of 2026/27.

Investment Performance

18. Temporary surplus cash balances include: developer contributions; council reserves and balances; and various other funds to which the council pays interest at each financial year end. The budgeted annual return on these in-house balances for 2026/27 was 4.00% and assumed an average annual in-house cash balance of £256.872m.

19. The actual average daily balance of temporary surplus cash invested in-house for the first quarter was £334.713m and the average in-house return was 4.35%, producing gross interest receivable of £3.630m. Gross distributions from pooled funds totalling £0.594m were also realised in the quarter, bringing total investment income to 4.224m. This compares to budgeted investment income of £3.332m, giving a net overachievement of £0.892m. This over achievement is a

combination of higher than forecast balances, base rate forecasts remaining higher than previous forecasts, and the local to local lending market remaining linked to the gilt market, which remains elevated.

20. Cash balances for the year are forecast to be lower than they otherwise would be as a result of negative Dedicated Schools Grant (DSG) balances relating to High Needs. After taking account of the anticipated receipt of High Needs Stability Grant relating to deficits up to 31 March 2026 later in the financial year, and the forecast deficit for 2026/27, the negative DSG balance by the end of 2026/27 is forecast to be £83.7m. This would have an estimated opportunity cost of £3.35m in unearned interest during 2026/27.

21. The council operates a number of instant access call accounts and money market funds to deposit short-term cash surpluses. During the first quarter of 2026/27 the average balance held on instant access was £68.679m, at an average rate of 3.81%.

22. At 30 June 2026 the total value of pooled fund investments was £92.730m. This is above the purchase value of £88.059m.

23. At 30 June 2026, the council's investment portfolio totalled £387.914m. This comprised £258.000m of fixed term deposits, £37.184m at short term notice in money market funds and £92.730m in pooled funds with a variable net asset value. Annex 4 provides an analysis of the investment portfolio at 30 June 2026.

24. The council's Treasury Management Strategy Team regularly monitors the risk profile of the council's investment portfolio. An analysis of the investment portfolio at 30 June 2026 is included at Annex 4.

Prudential Indicators for Treasury Management

25. During the first three quarters of the year, the council operated within the treasury limits and Prudential Indicators set out in the council's Treasury Management Strategy for 2025/26. The position for the Prudential Indicators as at 30 June 2025 is shown in Annex 3.

Financial Implications

26. This report is mostly concerned with finance and the implications are set out in the main body of the report. The impact of additional interest on cash balances and income from investments is reflected in the forecast position set out in the Business Management & Monitoring Reports to Cabinet.

Legal Implications

27. The report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The

Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003. There are no other legal implications.

Staff Implications

28. There are no staffing implications arising from the updates set out in this report

Equality & Inclusion Implications

29. There are no equality or inclusion implications arising from the report.

Local Government Reorganisation Implications

30. Work will be undertaken to forecast and disaggregate the balance sheet and treasury positions for the three new successor councils and the Fire & Rescue Service.

31. TMST will use this this information as context to ensure that the council's treasury position as at 31 March 2028 is proportionate to the new authorities and will help ensure there is suitable liquidity on vesting day and a sustainable financial position for each council.

Sustainability Implications

32. This report is not expected to have any negative impact with regards to the Council's zero carbon emissions commitment by 2030.

Risk Management

33. The purpose of treasury management is the management of the council's borrowing, investments and cash flows, including 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". The Prudential Code

34. Prudential indicators and credit criteria are agreed by Council each year as part of the Treasury Management Strategy.

35. The credit quality of institutions, changes in the interest rate forecast, cash flow, and prudential indicators are monitored throughout the year and reported monthly to the TMST and quarterly to the council's Audit & Governance Committee, Cabinet and Council.

LORNA BAXTER
Deput Chief Executive (Section 151 Officer)

Annex:	Annex 1 – Oxfordshire County Council Debt Financing 2026/27 Annex 2 – Long Term Debt Maturing 2026/27 Annex 3 – Prudential Indicator Monitoring to 30 June 2026 Annex 4 – Oxfordshire County Council Investment Portfolio at 30 June 2026
Background papers:	Treasury Management Strategy for 2026/27
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