

AUDIT & GOVERNANCE COMMITTEE – 11 MARCH 2026

TREASURY MANAGEMENT QUARTER 3 PERFORMANCE REPORT 2025/26

Report by the Deputy Chief Executive (Section 151 Officer)

RECOMMENDATION

1. **Audit & Governance Committee is RECOMMENDED to note the council's treasury management activity for the first three quarters of 2025/26.**

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 second for the 2025/26 financial year and sets out the position at 31 December 2025.
3. Throughout this report, the performance for the first three quarters of the year to December 2025 is measured against the budget agreed by Council in February 2025.
4. As at 31 December 2025, the council's outstanding debt totalled £265m and the average rate of interest paid on long-term debt during the 6 months was 4.41%. No new external borrowing was raised during the first half of the year, whilst £2m of maturing Public Works Loan Board (PWLB) and £5m of LOBO loans, were repaid. The council's forecast debt financing position for 2025/26 is shown in Annex 1.
5. The [Treasury Management Strategy for 2025/26](#) agreed in February 2025 assumed an average base rate of 4.00%.
6. The average daily balance of temporary surplus cash invested in-house was expected to be £303m in 2025/26, with an average in-house return on new and existing deposits of 3.25%.

7. During the nine months to 31 December 2025 the council achieved an average in-house return of 4.51% on average cash balances of £419.276m, producing gross interest receivable of £14.248m. In relation to external funds, the return for the nine months was £3.108m, bringing total investment income to £17.356m. This compares to budgeted investment income of £10.351m, giving a net overachievement of £7.215m.
8. At 31 December 2025, the council's investment portfolio totalled £427.726m. This comprised £298.500m of fixed term deposits, £39.028m at short term notice in money market funds and £90.198m in pooled funds with a variable net asset value. Annex 4 provides an analysis of the investment portfolio at 31 December 2025.

Treasury Management Activity

Debt Financing & Maturing Debt

9. The strategy for long term borrowing agreed in February 2025 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. Because inflation has been higher than the Bank of England target bond yields, and therefore PWLB rates, remain high. Average CPI inflation for the first half of the year was 3.5%, which was above the target of 2%. The expectation is that as inflation falls, PWLB rates should reduce over the medium term. Given the forecast for borrowing rates, the strategy for 2025/26 assumes no new external borrowing during the year, with any increase in the capital financing requirement met through internal borrowing. The exception to this being the council actively considering raising further funding through a second community municipal investment.
11. As at 31 December 2025, the authority had 41 PWLB loans totalling £239.383m, five LOBO loans totalling £20m and two money market loans totalling £5.5m. The average rate of interest paid on PWLB debt was 4.47% and the average cost of LOBO debt for the first three quarters of 2025/26 was 3.84%. The cost of debt on the money market loan was 3.99%. The combined weighted average for interest paid on long-term debt was 4.41%. The council's debt portfolio as at 31 December 2025 is shown in Annex 1.
12. The council repaid £2m of maturing PWLB loans in the first half of the financial year, whilst a LOBO with the value of £5m was called and repaid without penalty in the third quarter of the year. The weighted average interest rate payable on the matured loans was 3.84%. The forecast outturn for interest payable in 2025/26 is £11.823m.

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 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 half 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 from both a security and return view point.
15. The Treasury Management Strategy Statement and Annual Investment Strategy for 2025/26 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. It is expected that these funds should outperform the council's in-house investment performance over a rolling three-year period. The strategy permitted up to 50% of the total portfolio to be invested with external fund managers and pooled funds (excluding Money Market Funds). The performance of the pooled funds will continue to be monitored by the Treasury Management Strategy Team (TMST) throughout the year against respective benchmarks and the in-house portfolio.
16. At the start of the year the UK Bank Rate was 4.50% which was in line with the forecast. The Bank of England cut rates by 0.25% in May 2025 to 4.25%, to 4.00% in August and again in December to 3.75%. The market is forecasting that the base rate will reduce further to 3.50% by the end of 2025/26.

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 three quarters of 2025/26.

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 2025/26 was 3.25% and assumed an average annual in-house cash balance of £303.534m.

19. The actual average daily balance of temporary surplus cash invested in-house was £419.277m for the first three quarters of 2025/26 and the average in-house return was 4.51%, producing gross interest receivable of £14.248m. Gross distributions from pooled funds totalling £3.108m were also realised in the quarter, bringing total investment income to £17.356m. This compares to budgeted investment income of £10.351m, giving a net overachievement of £7.215m. This over achievement is a combination of higher than forecast balances, base rate forecasts remaining higher than previous forecasts, and a decoupling of the local to local lending market from the remainder of the money market. The local to local lending market is more aligned to the gilt market, which remains elevated as a result of persistently high inflation.
20. As set out in the Business Management & Monitoring Report to Cabinet in January 2026, £2.0m of the forecast additional income has been included in the forecast revenue position for 2025/26 and is offsetting service overspends. The remaining funding will be held in a new Budget Reserve to help manage any difference in the timing of the delivery of savings and the funding reductions arising from the Local Government Finance Settlement over the three-year settlement period to 2028/29. This was estimated at £5.5m for budget purposes but will need to be adjusted depending on the year end position for interest receivable and distributions from pooled funds.
21. 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. As set out in the Business Management & Monitoring Report to Cabinet in January 2026, the cumulative negative DSG balance was forecast to be £163.2m as at 31 March 2026 and is expected to increase to at least £166.5m by 31 March 2026. Because this expenditure is currently unfunded it is suppressing the amount of cash balances held by the council. This would have an estimated opportunity cost of £6.66m in unearned interest during 2025/26.
22. The council operates a number of instant access call accounts and money market funds to deposit short-term cash surpluses. During the first three quarters of 2025/26 the average balance held on instant access was £84.994m, at an average rate of 4.19%.
23. During the third quarter, the council divested its allocation of shares in the Schroder Income Maximiser fund. Gross disposal proceeds were £12.96m against an original purchase price of £12.5m, realising a gain of £0.46m. At 31 December 2025 the total value of pooled fund investments was £90.198m, against an original purchase price of £88.06m.
24. At 31 December 2025, the council's investment portfolio totalled £427.726m. This comprised £298.500m of fixed term deposits, £39.028m at short term notice in money market funds and £90.198m in pooled funds with a variable net asset value. Annex 4 provides an analysis of the investment portfolio at 31 December 2025.

25. The council's Treasury Management Strategy Team regularly monitors the risk profile of the council's investment portfolio. An analysis of the credit and maturity position of the portfolio at 31 December 2025 is included at Annex 4.

Prudential Indicators for Treasury Management

26. 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 31 December 2025 is shown in Annex 3.

Financial Implications

27. 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. The use of further funding to support the council's capital programme will be considered through the budget process for 2026/27.

Comments checked by:

Kathy Wilcox, Head of Corporate Finance, kathy.wilcox@oxfordshire.gov.uk

Legal Implications

28. 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.

Comments checked by:

Jayne Pringle, Principal Solicitor (Contracts), jayne.pringle@oxfordshire.gov.uk

Staff Implications

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

Equality & Inclusion Implications

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

OXFORDSHIRE COUNTY COUNCIL DEBT FINANCING 2025/26

<u>Debt Profile</u>		£m
1. PWLB	49%	241.38
2. Other Long Term Loans	6%	<u>30.50</u>
3. Sub-total External Debt		271.88
4. Internal Balances	45%	<u>218.33</u>
5. Actual Debt at 31 March 2025	100%	490.21
6. Prudential Borrowing		85.17
7. Borrowing in Advance		0.00
8. Minimum Revenue Provision		<u>-16.38</u>
9. Forecast Debt at 31 March 2026		559.00
<u>Maturing Debt</u>		
10. PWLB loans maturing during the year		-2.00
11. PWLB/LOBO Loans repaid prematurely		<u>-5.00</u>
12. Total Maturing Debt		-7.00
<u>New External Borrowing</u>		
13. PWLB Normal		0.00
14. PWLB loans raised in the course of debt restructuring		0.00
15. Money Market loans		<u>0.00</u>
16. Total New External Borrowing		0.00
<u>Debt Profile Year End</u>		
17. PWLB	43%	239.38
18. Money Market loans (incl £25m LOBOs)	5%	<u>30.50</u>
19. Forecast Sub-total External Debt		269.88
20. Forecast Internal Balances	52%	<u>294.12</u>
21. Forecast Debt at 31 March 2026	100%	559.00

Line Explanation

- 1 – 5 This is a breakdown of the Council's debt at the beginning of the financial year (1 April 2025). The PWLB is a government agency operating within the Debt Management Office. LOBO (Lender's Option/ Borrower's Option) loans are long-term loans, with a maturity of up to 60 years, which includes a re-pricing option for the bank at predetermined time intervals. Internal balances include provisions, reserves, revenue balances, capital receipts unapplied, and excess of creditors over debtors.
- 6 'Prudential Borrowing' is borrowing taken by the authority whereby the associated borrowing costs are met by savings in the revenue budget.
- 7 'Borrowing in Advance' is the amount the Council borrowed in advance to fund future capital finance costs.
- 8 The amount of debt to be repaid from revenue. The sum to be repaid annually is agreed at full Council each year, and is over the estimated useful life of the assets.
- 9 The Council's forecast total debt by the end of the financial year, after taking into account new borrowing, debt repayment and movement in funding by internal balances.
- 10 The Council's normal maturing PWLB debt.
- 11 PWLB/LOBO debt repaid early during the year.
- 12 Total debt repayable during the year.
- 13 The normal PWLB borrowing undertaken by the Council during 2025/26.
- 14 New PWLB loans to replace debt repaid early.
- 15 The Money Market borrowing undertaken by the Council during 2025/26
- 16 The total external borrowing undertaken.
- 18-22 The Council's forecast debt profile at the end of the year.

Long-Term Debt Maturing 2025/26**Public Works Loan Board: Loans maturing during 2025/26**

Date	Amount £m	Rate %
30/04/2025	2.000	4.250%
Total	2.000	

LOBO Loans called & repaid during 2025/26

Date	Amount £m	Rate %
24/11/2025	5.000	3.68
Total	5.000	

Prudential Indicators Monitoring at 31 December 2025

The Local Government Act 2003 requires the Authority to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. To demonstrate that the Authority has fulfilled the requirements of the Prudential Code the following indicators must be set and monitored each year.

Authorised and Operational Limit for External Debt

Actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt below. The Operational Boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. The council confirms that the Operational Boundary has not been breached during the third quarter of 2025/26.

The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements. The Authorised Limit was not breached in the in the third quarter of 2025/26 and is not expected to be breached by year end.

Authorised limit for External Debt	£610,000,000
Operational Limit for External Debt	£595,000,000
Capital Financing Requirement for year	£559,201,000

	Actual	Forecast
	31/03/2025	31/03/2026
Borrowing	£271,882,618	£264,882,618
Other Long-Term Liabilities	£ 836,000	£ 836,000
Total	£272,718,618	£265,718,618

Interest Rate Exposures

These indicators are set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest exposures. Fixed rate investments are borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Fixed Interest Rate Exposure

Fixed Interest Net Borrowing limit	£350,000,000
Actual at 31 December 2025	-£53,617,382

Variable Interest Rate Exposure

Variable Interest Net Borrowing limit	£0
Actual at 31 December 2025	-£108,390,014

Principal Sums Invested over 365 days

Total sums invested for more than 364 days limit	£150,000,000
Actual sums invested for more than 364 days	£ 25,000,000

Maturity Structure of Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing and the actual structure at December 2025, are shown below. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

	Limit %	Actual %
Under 12 months	0 - 20	12.08
12 – 24 months	0 - 25	8.68
24 months – 5 years	0 - 35	11.66
5 years to 10 years	5 - 40	24.54
10 years +	25 - 95	43.04

OXFORDSHIRE COUNTY COUNCIL INVESTMENT PORTFOLIO 31/12/2025

Fixed term deposits held at 31/12/2025

Counterparty	Principal Deposited	Maturity Date
Aberdeen City Council	£5,000,000.00	06/01/2026
Police and Crime Commissioner for Merseyside	£5,000,000.00	07/01/2026
Leeds City Council	£10,000,000.00	12/01/2026
Wrexham County Borough Council	£5,000,000.00	14/01/2026
Surrey County Council	£5,000,000.00	23/01/2026
Aberdeen City Council	£5,000,000.00	29/01/2026
West Dunbartonshire Council	£10,000,000.00	26/02/2026
Wrexham County Borough Council	£5,000,000.00	27/02/2026
South Lanarkshire Council	£5,000,000.00	27/02/2026
Dundee City Council	£5,000,000.00	27/02/2026
London Borough of Newham Council	£5,000,000.00	11/03/2026
London Borough of Newham Council	£10,000,000.00	30/03/2026
Gravesham Borough Council	£7,500,000.00	01/04/2026
Police and Crime Commissioner for Lancashire	£5,000,000.00	02/04/2026
Great Yarmouth Borough Council	£5,000,000.00	22/04/2026
Eastleigh Borough Council	£6,000,000.00	22/04/2026
Plymouth City Council	£5,000,000.00	24/04/2026
Eastleigh Borough Council	£5,000,000.00	08/05/2026
Surrey County Council	£10,000,000.00	08/05/2026
Darlington Borough Council	£5,000,000.00	11/05/2026
Blackpool Council	£5,000,000.00	12/05/2026
Monmouthshire County Council	£5,000,000.00	12/05/2026
Central Bedfordshire Council	£5,000,000.00	12/05/2026
Isle of Wight Council	£5,000,000.00	18/05/2026
Central Bedfordshire Council	£5,000,000.00	20/05/2026
Sefton Metropolitan Borough Council	£5,000,000.00	27/05/2026
Ashford Borough Council	£5,000,000.00	28/05/2026
Rotherham Metropolitan Borough Council	£5,000,000.00	28/05/2026
Cheshire East Council	£5,000,000.00	29/05/2026
London Borough of Newham Council	£5,000,000.00	01/06/2026
London Borough of Haringey Council	£5,000,000.00	01/06/2026
Manchester City Council	£5,000,000.00	02/06/2026
Cheshire East Council	£5,000,000.00	02/06/2026
Manchester City Council	£5,000,000.00	10/06/2026
South Ayrshire Council	£5,000,000.00	17/06/2026
Plymouth City Council	£5,000,000.00	17/06/2026

Counterparty	Principal Deposited	Maturity Date
Isle of Wight Council	£5,000,000.00	24/06/2026
West Dunbartonshire Council	£5,000,000.00	01/07/2026
Plymouth City Council	£5,000,000.00	02/07/2026
Blackpool Council	£5,000,000.00	13/07/2026
Cheshire East Council	£10,000,000.00	13/07/2026
Bury Metropolitan Borough Council	£5,000,000.00	30/07/2026
Derbyshire County Council	£5,000,000.00	25/08/2026
Blaenau Gwent County Borough Council	£5,000,000.00	28/08/2026
Kingston Upon Hull City Council	£5,000,000.00	03/09/2026
Blaenau Gwent County Borough Council	£5,000,000.00	22/10/2026
Bury Metropolitan Borough Council	£5,000,000.00	30/10/2026
Moray Council	£5,000,000.00	27/11/2026
Dover District Council	£5,000,000.00	02/12/2026
Short Term Deposit Total	£273,500,000.00	
Counterparty	Principal Deposited	Maturity Date
Kirklees Council	£5,000,000.00	22/01/2027
Kirklees Council	£5,000,000.00	17/03/2027
Worcestershire County Council	£5,000,000.00	17/12/2027
Worcestershire County Council	£5,000,000.00	23/12/2027
Falkirk Council	£5,000,000.00	31/01/2028
Long Term Deposit Total	£25,000,000.00	
Total Deposits	£298,500,000.00	

Money Market Funds

Counterparty	Balance at 31/12/2025	Notice period
Aberdeen Liquidity Fund	£13,205,000.00	Same day
Goldman Sachs Sterling Liquid Fund	£0.00	Same day
Deutsche Sterling Liquid Fund	£28,170.44	Same day
Federated Sterling Liquidity Funds	£632,752.52	Same day
Legal & General Sterling Liquidity Fund	£25,078,068.40	Same day
CCLA Public Sector Deposit Fund	£7,897.67	Same day
Morgan Stanley Sterling Liquid Fund	£9,198.82	Same day
Insight GBP Liquidity Fund	£50,000.00	Same day
JP Morgan Sterling Liquidity Fund	£14,645.55	Same day
Total	£39,025,733.40	

Notice / Call Accounts

Counterparty period	Balance at 31/12/2025 (£)	Notice
Handlesbanken	£2,389.13	Same day
Total	£2,389.13	

Strategic Bond Funds

Fund period	Balance at 31/12/2025	Notice
Threadneedle strategic bond fund (income)	£12,708,942.37	4 days
Threadneedle Global Equity Income Fund	£18,913,210.91	4 days
Kames Diversified Income	£10,100,483.81	4 days
Ninety One Diversified Income	£9,128,796.54	4 days
M&G Strategic Corporate Bond Fund	£11,322,952.51	4 days
CCLA Better World Cautious Fund	£4,656,588.22	4 days
Total	£66,830,974.35	

Property Funds

Fund Notice period	Balance at 30/09/2025 (£)	
CCLA Local Authorities Property Fund	£23,366,977.77	6 Monthly
Total	£23,366,977.77	

Summary of Investments as at 31/12/2025

Term Deposits	£298,500,000.00
Money Market Funds	£39,025,733.40
Notice & Call Accounts	£2,329.13
Subtotal Short Term Notice	£337,528,062.53
Pooled Funds	£66,830,974.35
Property Funds	£23,366,977.78
Subtotal Pooled & Property Funds	£90,197,952.13
Total Investments	£427,726,014.66