Treasury and Capital Management Group 28th July 2026

Report by: Head of Finance

Lead Cllr: Cllr J E Harvey
Executive Councillor for Finance and Resources

Wards	Open / Exempt	Key Decision?
ALL wards	Open	No

Treasury Management Update 2026/27 Quarter 1

Executive Summary:

This report provides an update on the Council's Treasury Management activity during 2026/27 - April to June 2026, covering the management of cash balances, investments, borrowing and the wider economic and interest rate context. It confirms compliance with the Treasury Management Strategy Statement (TMSS) approved by Council and outlines how treasury decisions have supported the capital programme and the Council's day-to-day financial stability.

Treasury Management underpins the Council's financial resilience and the safe delivery of its services and capital programme. Effective treasury activity:

- Ensures the Council has sufficient liquidity to meet obligations as they fall due.
- Protects public funds by prioritising security and liquidity over yield.
- Supports the Council's Medium-Term Financial Strategy (MTFS) by managing borrowing costs and optimising investment income within agreed risk parameters.

Key messages include:

- The economic environment remains challenging in the main because of the current global political environment, with inflation at 2.8% (target 2%) and the base rate at 3.75%, higher for longer than originally forecast, influencing both investment returns and borrowing decisions.
- The Council maintained a stable investment position, with balances decreasing marginally from the start of the quarter £65.7m to £64.7m by the quarter end.

- No new borrowing was undertaken.
- Interest payable remained fully in line with budget, reflecting the benefit of the Council's long-term fixed-rate PWLB borrowing strategy.
- Interest rates on investments have increased marginally across the quarter, creating ongoing uncertainty over future investment returns and borrowing decisions as the expectation was previously that the base rate would have bottomed out to a stable position (3-3.5%) by this point.
- Investment income levels achieved in 2025/26 are unlikely to be recurring once interest rates normalise, and this should be reflected in future financial planning

Recommendations

1.1 To note the Treasury Management activity undertaken during 2026/27 quarter 1 and that it has been conducted in accordance with the approved Treasury Management Strategy 2026/27.

1.2 To endorse the continued prudent approach to treasury management, including the increased use of inter-authority lending within the revised limits approved for 2026/27, subject to ongoing risk management and monitoring.

Key Corporate Plan Priorities

Delivering good quality, high value for money services with good control and compliance with statutory obligations.

Report Author(s)

Oliver Colbert Financial and Treasury Accountant Oliver.Colbert@huntingdonshire.gov.uk
Sandra Beard Head of Finance Sandra.Beard@huntingdonshire.gov.uk

1. PURPOSE OF THE REPORT

1.1 To provide Members with an overview of how the Council has managed cash balances, investments and borrowing during the financial year, in line with approved policies and practices.

1.2 To confirm that all treasury management activities during 2026/27 Quarter 1 has been undertaken in accordance with the TMSS approved by Council.

1.3 To summarise the prevailing economic conditions and interest rate environment during the year and explain how these have influenced investment performance and borrowing decisions.

1.4 To report on the Council's investment strategy, balances held, rates achieved and the prioritisation of security and liquidity ahead of yield.

1.5 To update Members on the Council's borrowing position.

1.6 To highlight future treasury management risks and opportunities, including interest rate uncertainty, capital programme borrowing pressures and the increased scope for inter-authority lending.

2. BACKGROUND & CONTEXT

2.1 It is best practice and prescribed treasury management practice, the TCMG is kept up to date with treasury management activity.

2.2 Council approved the 2026/27 Treasury Management Strategy at its meeting on 25th February 2026.

2.3 All treasury management activity undertaken during 2026/27 April to June complied with the CIPFA Code of Practice and relevant legislative provisions.

2.4 The investment strategy is to invest any surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest. The Council's borrowing strategy permits borrowing for cash flow purposes and funding current and future capital expenditure over whatever periods are in the Council's best interests.

3. IMPLICATIONS OF THE DECISION

3.1 Council Key Priorities and Performance

Delivering good quality, high value for money services with good control and compliance with statutory obligations.

For details of the stewardship and returns of the council's investments and borrowing, refer to the 2026/27 Treasury Management Strategy and the quarterly treasury management report to Cabinet.

3.2 Financial Implications

Economy and Interest Rates

The economic environment remains challenging in the main because of the current global political environment, with inflation at 2.8% (target 2%), with the Bank of England highlighting oil and gas prices increases as the major cause. The increased prices being the result of the conflict in the Middle East and the closure of the Strait of Hormuz.

The base rate at 3.75%, higher for longer than originally forecast, influencing both investment returns and borrowing decisions. The Base Rate has remained higher for longer as result of the Bank of England's attempt to control inflation. This had implications for the amount of interest earned on investments in the quarter, and for future quarters, as a result the forecast for increased income receivable from interest has been updated in the financial forecast.

Investing Activities

The Council's investment activity during 2026/27 Q1 continued to focus primarily on the Debt Management Office (DMO) and Money Market Funds (MMFs).

The DMO provides a secure investment option, with the return of principal guaranteed by HM Treasury. The rates offered by the DMO have remained relatively attractive, reflecting both prevailing market rates and the Government's ongoing borrowing requirements. However, DMO rates can be more volatile and less predictable, as they may be influenced by factors beyond general market conditions, as demonstrated during the period of the Truss-led government.

MMF investments are diversified across eight separate funds. Each fund invests in a wide range of counterparties, thereby spreading credit risk. MMFs provide same-day liquidity, making them a valuable tool for cash flow management, while also offering competitive market rates of return.

The Council's investable balances at the end of 2026/27 Q1 have remained stable since the start of April (£65.7m) to the end of June (£64.7m), slightly lower than June 2025 (£68.9m). This is in line with cash flow trend expectations, and is providing a significant balance to invest in the near term.

Quarter end balances and weighted average rates of return are set out in the tables below.

Treasury Investments

Total balances invested decreased marginally from £69.7m (including £4m CCLA Property Fund) at 31 March 2026 to £68.7m at 30 June 2026.

The weighted average rate of return increased from 3.74% to 3.78%, a marginal increase and possibly a reaction to the expectation interest rates may remain higher for longer in order to control inflation.

Service Loan
The loan to Urban & Civic remained unchanged during the year and continues to generate a strong rate of return. This loan matures on 12 October 2028.

Investments	Balance 31/03/2026 £m	31/03/2026 Rate %	Balance 30/06/2026 £m	30/06/2026 Rate %
Treasury Investments				
Banks	0.223	2.00	0.388	2.00
DMADF DMO	46.300	3.70	44.700	3.75
Money Market Funds	19.180	3.77	19.650	3.87
Property Fund CCLA	4.000	4.60	4.000	4.00[1]
	69.703	**3.74**	**68.738**	**3.78**
Service Loan				
Loan to Urban & Civic	1.986	6.93	1.986	6.93
	71.689		**70.724**	

[1]Forecast – actual not available yet.

Interest Earned
Total investment income for 2026/27 to date is shown in the table below.

Interest Earned	Budget 2026/27 £m	Actual Q1 2026/27 £m
Investments	1.671	0.471
U&C Loan	0.120	0.034
Property Fund	0.162	Not available yet

Borrowing
The Council's borrowing position remained unchanged during 2026/27 Q1, with no new long-term or short term borrowing undertaken during the period.

All borrowing relates to fixed-rate loans from the Public Works Loan Board (PWLB), providing long-term certainty over debt servicing costs.

Borrowing	Maturity Date	Balance 31/03/2026 £m	31/03/2026 Rate %	Balance 30/06/2026 £m	30/06/2026 Rate %
PWLB	26/06/2039	11.963	2.18	11.963	2.18
PWLB	11/03/2039	7.292	2.49	7.292	2.49
PWLB	02/10/2037	5.000	2.78	5.000	2.78
PWLB	19/12/2057	5.000	3.91	5.000	3.91
PWLB	19/12/2058	5.000	3.90	5.000	3.90
		34.255		**34.255**	

Interest payable during the year was in line with the approved budget. The fixed-rate nature of PWLB borrowing ensured that costs remained stable and predictable throughout the year.

Interest payable	**Budget 26/27 £m**	**Actual Q1 26/27 £m**
PWLB	0.972	0.395

3.3 Policy Implications

N/A

3.4 Legal & Constitutional Implications

The Council is required by regulations issued under the Local Government Act 2003 to report throughout 2026/27, and so Cabinet will receive quarterly reports on Treasury Management activity, together with a more detailed mid-year report. The annual outturn report, incorporating treasury activity and the associated prudential and treasury indicators, will be presented to Cabinet in 2027.

3.5 Community Impact

N/A

3.6 Environment & Climate Change Implications

The council's investments take account of the UN Principles for Responsible Banking (in particular Principle 1) and the UN Principles for Responsible Investments.

3.7 Equality & Diversity Implications

The council's investments take account of the UN Principles for Responsible Banking and the UN Principles for Responsible Investments (through ESG {Environmental, Social, Governance} principles).

3.8 Implications on Resources

As this report is for information and retrospective there are no implications for resources in future years, where any changes to financial resources occur these will be updated in the quarterly monitoring reports and future budgets and MTFS.

There are no direct implications on other resources, such as staffing or property.

3.9 Health & Wellbeing Implications

N/A

3.10 Local Government Reorganisation (LGR) Implications

This report is retrospective and therefore has limited impact on LGR implications.

4. RISK MANAGEMENT

Risk management considerations are set out in the annual Treasury Management Strategy, this is followed throughout the year when considering investment counterparties.

In addition

- Interest rates movement risks, as borrowing is at a fixed rate this will impact interest income.
- The possible need to borrow in future years to fund the capital programme, in a higher interest rate environment.
- Capital rephasing and/or acceleration in expenditure will put pressure on the cash balance position.
- Wider economic factors, including inflationary pressures and macro-economic instability, may impact interest rates, investment markets and access to borrowing, influencing future treasury decisions and financial planning assumptions.

5. BACKGROUND PAPERS– LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Document List	Custodian	File Location
Cash management spreadsheets	Finance Team	Finance shared drive
Quarterly monitoring reports	Finance Team	Finance shared drive
Treasury Management Strategy	Finance Team	Finance shared drive
Treasury and Performance indicators calculation spreadsheet	Finance Team	Finance shared drive