

Division(s): N/A

CABINET – 21 JUNE 2022

TREASURY MANAGEMENT ANNUAL PERFORMANCE 2021/22

Report by Director of Finance

RECOMMENDATION

1. Cabinet is **RECOMMENDED** to note the report, and to **RECOMMEND** Council to note the council's treasury management activity in 2021/22.

Executive Summary

2. 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."
3. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) 'Code of Practice on Treasury Management 2021' requires that the Council and Audit & Governance Committee receives an updated report on Treasury Management activities at least four times per year. This report is the final report for the financial year 2021/22 and sets out the position at 31 March 2022.
4. Throughout this report performance for the 2021/22 financial year is measured against the original budget agreed by Council in February 2021.
5. At 31 March 2022, outstanding debt totalled £313m and average interest paid on long-term debt was 4.39%. The council repaid £22m of maturing Public Works Loan Board (PWLB) loans during the year. No new borrowing was arranged during 2021/22. The Council's debt financing position for 2021/22 is shown in Annex 1.
6. The Treasury Management Strategy for 2021/22 was based on an average base rate forecast of 0.10%. The budget for interest receivable assumed that an average interest rate of 0.58% would be achieved. The average daily balance of temporary surplus cash invested in-house was expected to be £327m in 2021/22.
7. The Council achieved an average in-house return for the year of 0.47% on average cash balances of £455.915m, producing gross interest receivable of £2.155m. In relation to external funds, the return for the year was 3.83% producing gross distributions totalling £3.834m, bringing total investment income to £5.989m. This compares to budgeted investment income of £5.753m, giving a net overachievement of £0.237m.
8. At 31 March 2022, the council's investment portfolio of £553.821m comprised £409.000m of fixed term deposits, £39.296m at short term notice in money market funds and £105.525m in

pooled funds with a variable net asset value. Annex 4 provides an analysis of the investment portfolio at 31 March 2022.

Treasury Management Activity

Debt Financing & Maturing Debt

9. The Strategy for Long Term Borrowing included the option to fund new or replacement borrowing up to the value of £100m through internal borrowing to reduce the Council's exposure to credit risk and reduce the cost of carry (difference between borrowing costs and investment returns) whilst debt rates remained higher than investment interest rates.
10. The council is able to borrow from the Public Works Loan Board (PWLB) or through the money markets. However, as the council was able to undertake internal borrowing no new external borrowing was arranged during 2021/22.
11. As at 31 March 2022, the authority had 50 PWLB loans totalling £263.383m, 9 LOBO¹ loans totalling £45m and one £5m money market loan. The average rate of interest paid on PWLB debt was 4.47% and the average cost of LOBO debt in 2021/22 was 3.94%. The cost of debt on the money market loan was 3.95%. The combined weighted average for interest paid on long-term debt was 4.39%. The Council's debt portfolio as at 31 March 2022 is shown in Annex 1.
12. The Council repaid £22m of maturing PWLB loans during the year. The weighted average interest rate payable on the matured loans was 4.75%. The outturn for Interest Payable in 2021/22 was £14.7m which was below the budgeted figure of £15.1m. The details are set out in Annex 2.

Investment Strategy

13. In line with the CIPFA Code of Practice on Treasury Management, the council prioritised security and liquidity of cash above the requirement to maximise returns during 2021/22. Fixed deposits, call accounts, notice accounts, money market funds and pooled funds were utilised to deposit the council's in-house cash surpluses during 2021/22. Credit quality information regarding the institutions on the council's approved Lending List was continuously monitored to reduce risk.
14. Because of continued volatility in financial markets during 2021/22, exposure to banks was limited by lending to local authorities in the United Kingdom. At 31 March 2022 the council had £79.5m of long-term fixed deposits (deposits over 364 days), all of which were placed with local authorities. The aim was to maintain a high level of security and manage exposure to interest rate and counterparty risk.
15. The 2021/22 Treasury Management Strategy allowed for 50% of the total portfolio to be held in Strategic Pooled funds and this policy was maintained throughout the year, although the value held in these funds was consistently well-below that maximum.

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.

16. The weighted average maturity of all deposits at 31 March 2022, including money deposited in short-term notice accounts, was 259 days (compared with 225 days during 2020/21). The increase in weighted average maturity was to take advantage of higher interest rates for longer dated deposits.

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 in 2021/22.

Investment Income Received in 2021/22

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 return on these in-house balances for 2021/22 was 0.58%, and assumed an average in-house cash balance of £327.026m.
19. The actual average daily balance of temporary surplus cash invested in-house was £455.915 in 2021/22 and the average in-house return was 0.47%, producing gross interest receivable of £2.155m. Gross distributions from pooled funds totalling £3.834m were also realised in year, bringing total investment income to £5.989m. This compares to budgeted investment income of £5.753m, giving a net overachievement of £0.237m. This reflects a combination of higher than forecast average cash balances, offset by lower returns resulting from the Bank of England base rate remaining at 0.10% for longer than expected, and higher than forecast distributions from pooled funds.
20. The Council operates a number of instant access call accounts and money market funds to deposit short-term cash surpluses. During 2021/22 the average balance held on instant access was £118.470m.
21. At 31 March 2022 the total value of pooled fund investments was £105.525m, which is above pre pandemic levels. The values as at 31 March 2022 represented a book value gain of £4.839m compared to the value at 31 March 2021.
22. At 31 March 2022, the Council's investment portfolio of £553.821m comprised £409.000m of fixed term deposits, £39.296m at short term notice in money market funds and £105.525m in pooled funds with a variable net asset value. Annex 4 provides an analysis of the investment portfolio at 31 March 2022.
23. During 2021/22 the Council extended two Revolving Credit Facilities of £10.000m each to Network Homes Ltd and Yorkshire Housing Ltd. Neither facility was utilised during the year. Non utilisation fees for the facilities produced £0.070m interest for the year.

24. 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 March 2022 is shown in Annex 3.

Prudential Indicators for Treasury Management

25. During the financial year, the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy for 2021/22. The outturn for the Prudential Indicators is shown in Annex 4.

External Performance Indicators and Statistics

26. The Council's treasury management advisors Link Treasury Services benchmark the Council's investment performance against its other clients on a quarterly basis. The results of the quarter 4 benchmarking to 31 March 2022 are included in Annex 5.
27. The benchmarking results show that the Council was achieving higher than average interest on deposits at 31 March 2022 compared to the benchmark group. This has been achieved by placing deposits over a longer than average duration with institutions that are of higher than average credit quality, coupled with the Treasury Management officers negotiating higher than market average returns.

Financial Implications

28. This report is mostly concerned with finance and the implications are set out in the main body of the report.

Comments checked by:

Ian Dyson, Assistant Director of Finance, ian.dyson@oxfordshire.gov.uk

Legal Implications

29. There are no direct legal implications arising from this report save for the need for ongoing collaborative working between the S151 Officer and the Monitoring Officer. CIPFA guidance promotes the need for consultative working and collaboration between these respective roles to promote good organisational governance.

Comments checked by:

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Lorna Baxter
Director of Finance

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May 2022

OXFORDSHIRE COUNTY COUNCIL DEBT PROFILE 31 MARCH 2022

LOAN No	£m	RATE %	Start Date	End Date	LOAN No	£m	RATE %	Start Date	End Date
479915	1.684	6.625	30/11/1995	26/03/2023	492376	10.000	4.200	01/11/2006	31/03/2037
479916	0.316	6.625	30/11/1995	26/03/2023	492386	2.000	4.350	03/11/2006	01/04/2027
480364	1.000	6.250	29/12/1997	31/12/2022	492535	10.000	4.200	29/11/2006	30/06/2037
480867	2.000	5.625	23/04/1998	30/04/2023	492561	6.000	4.250	07/12/2006	30/06/2032
480915	2.000	5.625	30/04/1998	22/05/2023	492598	8.000	4.500	18/12/2006	30/04/2027
483469	3.000	4.250	12/11/1999	22/11/2024	492599	6.000	4.500	18/12/2006	31/05/2027
483659	2.000	4.250	25/11/1999	30/04/2025	492789	6.000	4.500	24/01/2007	31/01/2032
487777	4.000	4.650	16/05/2003	01/05/2028	492990	6.000	4.450	06/03/2007	31/03/2032
488204	8.000	5.000	27/10/2003	01/11/2023	492807	4.000	4.250	25/01/2007	30/06/2053
488562	7.650	4.700	19/03/2004	16/03/2030	493378	4.000	4.900	11/06/2007	30/06/2032
488563	1.733	4.700	19/03/2004	16/03/2030	493638	6.000	4.550	02/08/2007	30/09/2052
488989	6.000	4.850	16/08/2004	13/07/2030	493803	4.000	4.650	23/08/2007	20/09/2032
489168	6.000	4.700	22/10/2004	01/03/2030	493822	6.000	4.450	23/08/2007	30/09/2053
489287	6.000	4.600	22/11/2004	01/04/2032	493960	4.000	5.050	03/10/2007	31/10/2022
489429	6.000	4.550	02/12/2004	01/06/2032	494069	6.000	4.500	21/11/2007	30/09/2052
489856	5.000	4.600	06/05/2005	01/05/2033	494171	6.000	4.480	27/12/2007	31/03/2052
490105	5.000	4.450	23/05/2005	01/12/2033	494200	6.000	4.420	04/01/2008	31/03/2057
491669	4.000	4.450	23/05/2006	14/06/2026	494703	6.000	4.460	04/08/2008	13/07/2058
491948	5.000	4.650	16/08/2006	31/12/2026	494747	10.000	4.390	15/08/2008	26/03/2058
491957	4.000	4.500	18/08/2006	31/12/2031	497549	5.000	4.190	08/07/2010	14/06/2054
491958	4.000	4.500	18/08/2006	30/09/2031	LOBO 06	5.000	4.290	27/04/2005	27/04/2022
491959	2.000	4.600	21/08/2006	30/04/2027	LOBO 07	5.000	4.500	27/04/2005	27/04/2022
491960	10.000	4.600	21/08/2006	30/09/2026	LOBO 08	5.000	3.950	31/05/2005	29/05/2065
492021	5.000	4.350	25/08/2006	22/11/2031	LOBO 09	5.000	3.680	23/11/2005	24/11/2025
492063	5.000	4.450	31/08/2006	31/03/2028	LOBO 10	5.000	3.800	31/07/2006	31/10/2022
492064	5.000	4.450	31/08/2006	30/04/2027	LOBO 11	5.000	3.840	31/07/2006	29/07/2026
492088	4.000	4.350	04/09/2006	02/03/2032	LOBO 12	5.000	3.825	02/10/2006	02/10/2022
492117	4.000	4.450	07/09/2006	02/03/2037	LOBO 13	5.000	4.010	02/10/2006	02/10/2024
492371	13.000	4.500	31/10/2006	31/12/2026	LOBO 14	5.000	3.820	31/08/2006	31/08/2023
492375	10.000	4.200	01/11/2006	31/12/2036	LOBO 15	5.000	3.720	21/09/2006	13/10/2022
					TOTAL	313.383			

Long-term debt Maturing 2021/22**Public Works Loan Board: Loans Maturing in 2021/22**

Date	Amount £m	Rate %	Repayment Type
31/12/2021	2.0	4.70	Maturity
31/12/2021	10.0	4.65	Maturity
31/07/2020	10.0	4.85	Maturity
Total	22.0		

Repayment Types

Maturity – Full amount of principal is repaid at the final maturity date

EIP – Equal Instalments of Principal are repaid every 6 months until the final maturity date

OXFORDSHIRE COUNTY COUNCIL INVESTMENT PORTFOLIO 31/03/2022

Fixed term deposits held at 31/03/2022

Counterparty	Principal Deposited	Maturity Date
Northumberland County Council	£5,000,000.00	30/01/2023
Cambridgeshire County Council	£5,000,000.00	09/01/2023
Dudley Metropolitan Borough Council	£5,000,000.00	03/01/2023
Dudley Metropolitan Borough Council	£10,000,000.00	01/07/2022
Dudley Metropolitan Borough Council	£5,000,000.00	12/10/2022
Peterborough City Council	£5,000,000.00	29/04/2022
Dudley Metropolitan Borough Council	£5,000,000.00	08/11/2022
Worcestershire County Council	£7,500,000.00	03/03/2023
Cherwell District Council	£5,000,000.00	15/07/2022
Wokingham Borough Council	£5,000,000.00	13/04/2022
Wokingham Borough Council	£5,000,000.00	13/04/2022
Sandwell Metropolitan Borough Council	£10,000,000.00	27/04/2022
Doncaster Metropolitan Borough Council	£5,000,000.00	04/05/2022
Doncaster Metropolitan Borough Council	£5,000,000.00	05/05/2022
Basildon Borough Council	£5,000,000.00	07/06/2022
Surrey County Council	£5,000,000.00	13/04/2022
Blackpool Council	£3,000,000.00	03/05/2022
Lancashire County Council	£5,000,000.00	10/05/2022
Lancashire County Council	£5,000,000.00	24/05/2022
Lancashire County Council	£5,000,000.00	13/06/2022
West Dunbartonshire Council	£6,000,000.00	17/06/2022
London Borough of Southwark Council	£5,000,000.00	21/06/2022
Plymouth City Council	£5,000,000.00	16/06/2022
Blackpool Council	£5,000,000.00	03/05/2022
Blackpool Council	£5,000,000.00	04/05/2022
Guildford Borough Council	£10,000,000.00	13/05/2022
West Dunbartonshire Council	£5,000,000.00	18/07/2022
Blackpool Council	£5,000,000.00	31/05/2022
Aberdeenshire Council	£5,000,000.00	26/05/2022
Canterbury City Council	£5,000,000.00	24/08/2022
Plymouth City Council	£5,000,000.00	14/09/2022
Surrey County Council	£5,000,000.00	15/06/2022
London Borough of Southwark Council	£5,000,000.00	20/09/2022
Lancashire County Council	£5,000,000.00	23/09/2022
Kingston Upon Hull City Council	£5,000,000.00	13/09/2022
Plymouth City Council	£5,000,000.00	28/09/2022
Surrey County Council	£5,000,000.00	30/09/2022
Monmouthshire County Council	£5,000,000.00	07/06/2022
London Borough of Brent Council	£5,000,000.00	10/08/2022
Basildon Borough Council	£5,000,000.00	20/06/2022

Counterparty	Principal Deposited	Maturity Date
South Ayrshire Council	£5,000,000.00	11/10/2022
North Lanarkshire Council	£5,000,000.00	01/09/2022
London Borough of Brent Council	£5,000,000.00	14/09/2022
Woking Borough Council	£5,000,000.00	24/10/2022
Police and Crime Commissioner for Merseyside	£5,000,000.00	08/07/2022
Kingston Upon Hull City Council	£5,000,000.00	30/09/2022
Ashford Borough Council	£5,000,000.00	17/10/2022
West Lindsey District Council	£5,000,000.00	17/10/2022
North Lanarkshire Council	£5,000,000.00	25/01/2023
London Borough of Haringey Council	£5,000,000.00	29/12/2022
East Dunbartonshire Council	£5,000,000.00	15/02/2023
North Lanarkshire Council	£5,000,000.00	06/02/2023
West Dunbartonshire Council	£5,000,000.00	23/11/2022
Medway Council	£5,000,000.00	28/11/2022
Warrington Borough Council	£8,000,000.00	02/09/2022
Guildford Borough Council	£5,000,000.00	05/12/2022
East Dunbartonshire Council	£5,000,000.00	02/03/2023
Oxford City Council	£5,000,000.00	08/09/2022
Australia and New Zealand Banking Group	£10,000,000.00	11/04/2022
London Borough of Southwark Council	£5,000,000.00	31/08/2022
Kirklees Council	£5,000,000.00	22/09/2022
Short Term Deposit Total	£329,500,000.00	
Counterparty	Principal Deposited	Maturity Date
Uttlesford District Council	£5,000,000.00	19/06/2023
Blaenau Gwent County Borough Council	£3,000,000.00	10/07/2023
Staffordshire Moorlands District Council	£3,000,000.00	31/07/2023
South Ayrshire Council	£3,000,000.00	22/02/2024
Gravesham Borough Council	£5,800,000.00	15/03/2024
Rotherham Metropolitan Borough Council	£5,000,000.00	26/04/2024
Rotherham Metropolitan Borough Council	£5,000,000.00	26/04/2024
South Ayrshire Council	£5,000,000.00	24/05/2024
Gravesham Borough Council	£2,500,000.00	26/04/2024
Gravesham Borough Council	£1,800,000.00	26/04/2024
Gravesham Borough Council	£2,400,000.00	26/04/2024
Rotherham Metropolitan Borough Council	£5,000,000.00	30/09/2024
Worthing Borough Council	£3,000,000.00	19/11/2024
Cambridgeshire County Council	£10,000,000.00	22/11/2023
Falkirk Council	£5,000,000.00	03/01/2025
Police and Crime Commissioner for Lancashire	£5,000,000.00	06/01/2025
Falkirk Council	£5,000,000.00	31/01/2025
Kirklees Council	£5,000,000.00	15/02/2024
Long Term Deposit Total	£79,500,000.00	
Total Deposits	£409,000,000.00	

Money Market Funds

Counterparty	Balance at 31/03/22 (£)	Notice period
Aberdeen Liquidity Fund	3,880,000.00	Same day
Goldman Sachs Sterling Liquid Fund	500,000.00	Same day
Deutsche Sterling Liquid Fund	0.00	Same day
Federated Sterling Liquidity Funds	6,040.93	Same day
Legal & General Sterling Liquidity Fund	25,000,000.00	Same day
CCLA Public Sector Deposit Fund	0	Same day
Morgan Stanley Sterling Liquid Fund	5,003,979.23	Same day
Total	34,390,020.16	

Notice / Call Accounts

Counterparty	Balance at 31/03/22 (£)	Notice period
Santander Call Account	3,606.21	Same day
Barclays Current	9,325.51	Same day
Handlesbanken	2,308.34	Same day
Total	15,312.06	

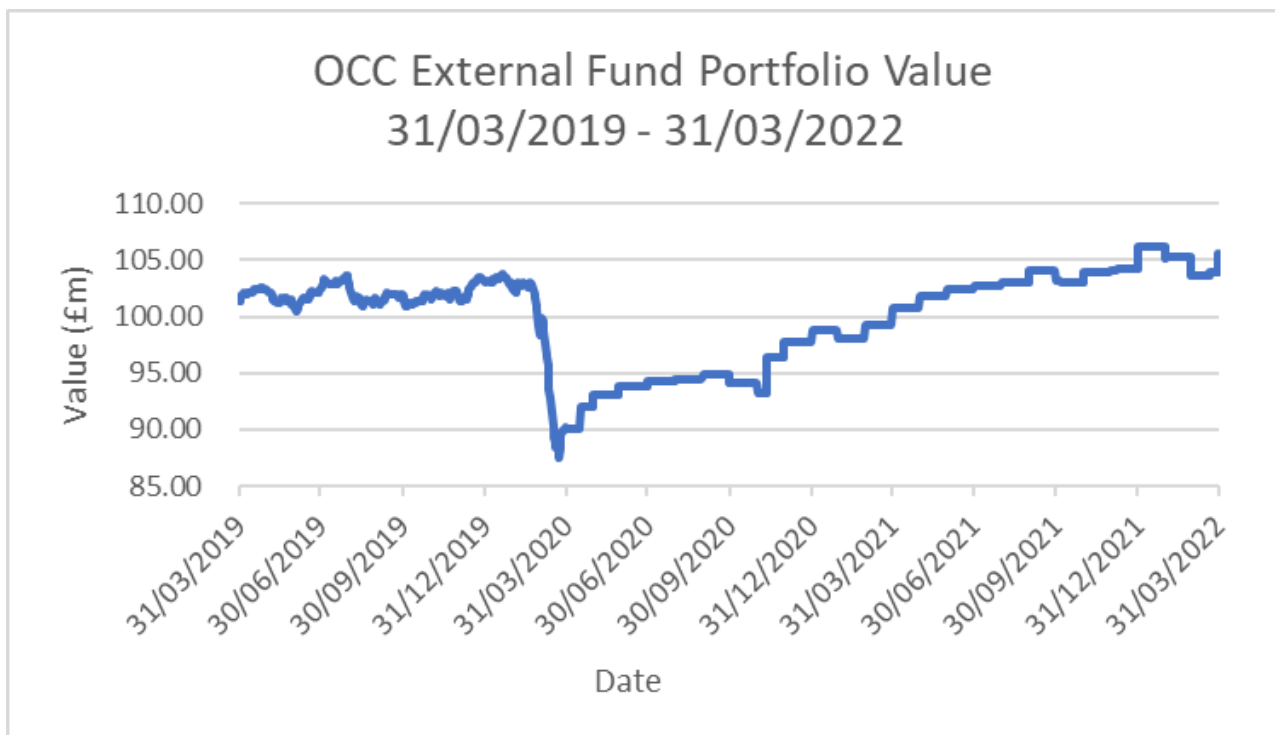
Strategic Bond Funds

Fund	Balance at 31/03/22 (£)	Notice period
Threadneedle strategic bond fund (income)	13,145,796.06	4 days
Threadneedle Global Equity Income Fund	15,505,725.99	4 days
Kames Diversified Income	10,142,352.07	4 days
Ninety One Diversified Income	9,485,305.75	4 days
M&G Strategic Corporate Bond Fund	12,160,077.87	4 days
Schroder Income Maximiser	11,410,377.43	4 days
CCLA Diversified Income Fund	4,924,380.30	4 days
Total	77,002,220.89	

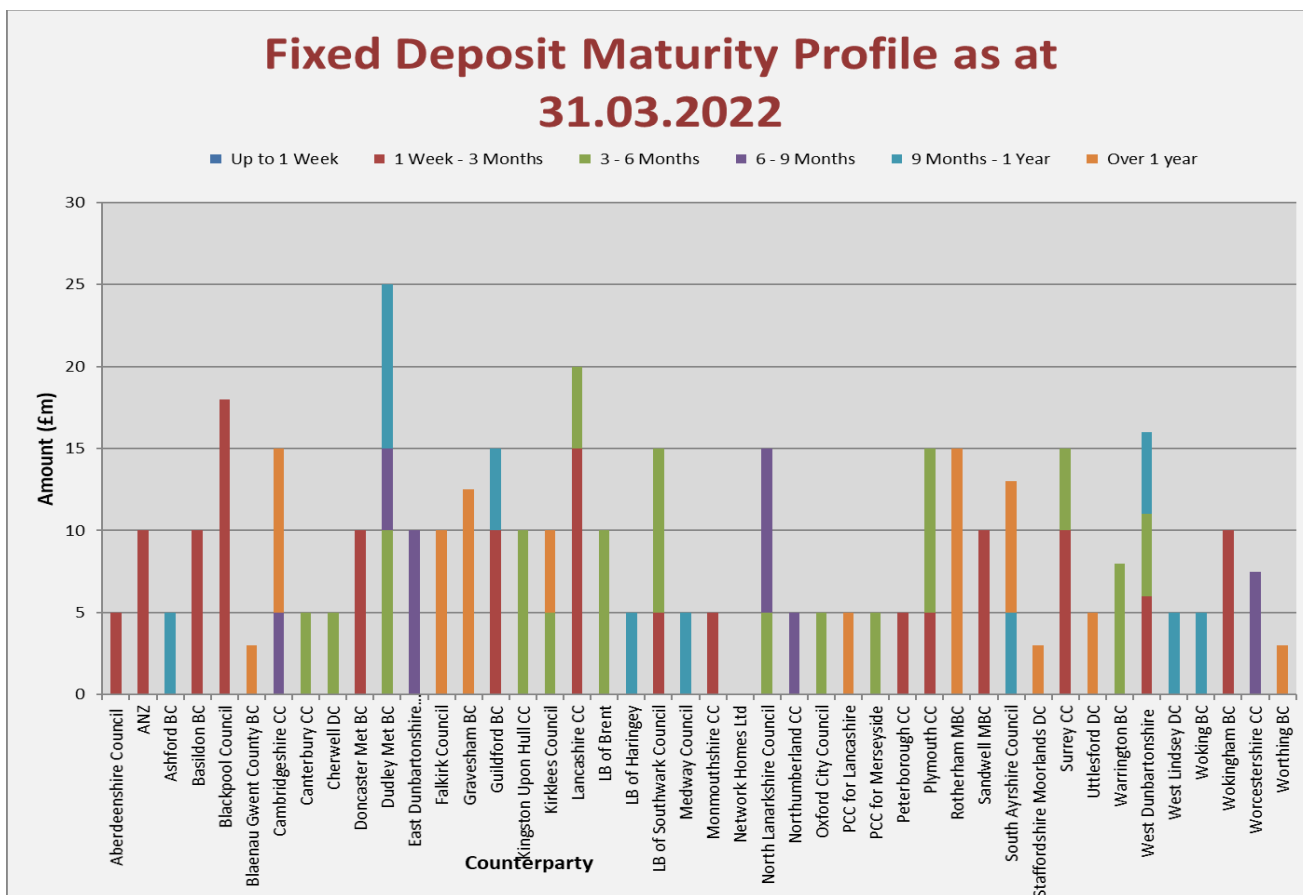
Property Funds

Fund	Balance at 31/03/22 (£)	Notice period
CCLA Local Authorities Property Fund	28,523,173.92	Monthly
Total	28,523,173.92	

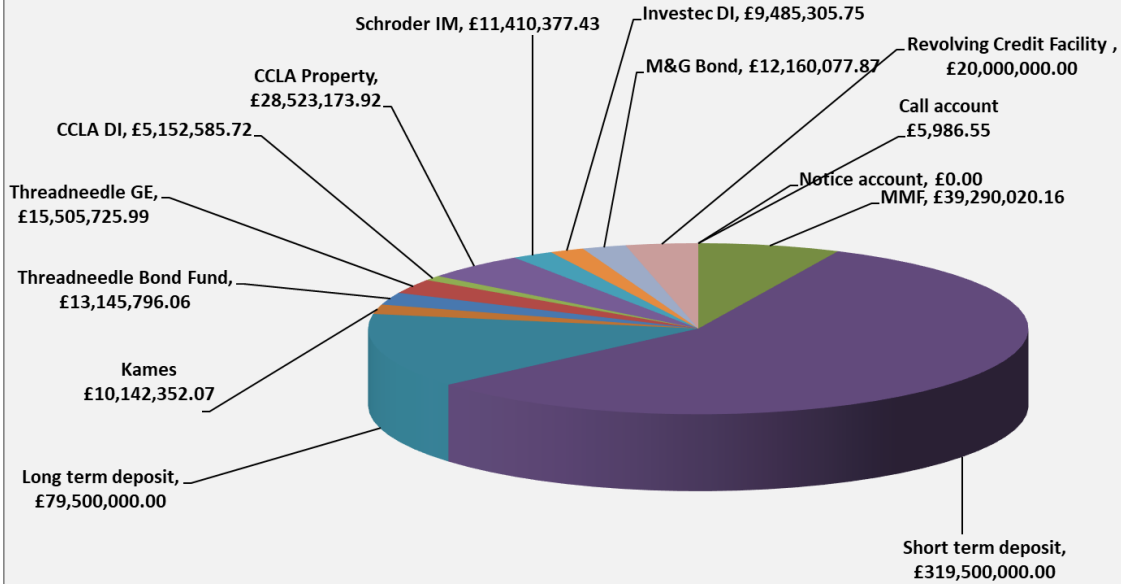
Strategic Pooled Fund Portfolio Value Over Time



Investment portfolio risk profile at 31/03/22



Total Combined Portfolio as at 31.03.2022



Prudential Indicators Outturn 31 March 2022**Authorised and Operational Limit for External Debt**

Authorised Limit for External Debt	£445,000,000
Operational Limit for External Debt	£420,000,000
Actual External Debt at 31 March 2022	£313,382,618

Fixed Interest Rate Exposure

Fixed Interest Net Borrowing limit	£350,000,000
Actual at 31 March 2022	-£75,117,382

Variable Interest Rate Exposure

Variable Interest Net Borrowing limit	0
Actual at 31 March 2022	- £26,397,331

Sums Invested over 364 days

Total sums invested for more than 364 days maximum limit	£215,000,000
Actual sums invested for more than 364 days at 31 March 2022	£79,500,000

Maturity Structure of Borrowing at 31/03/20

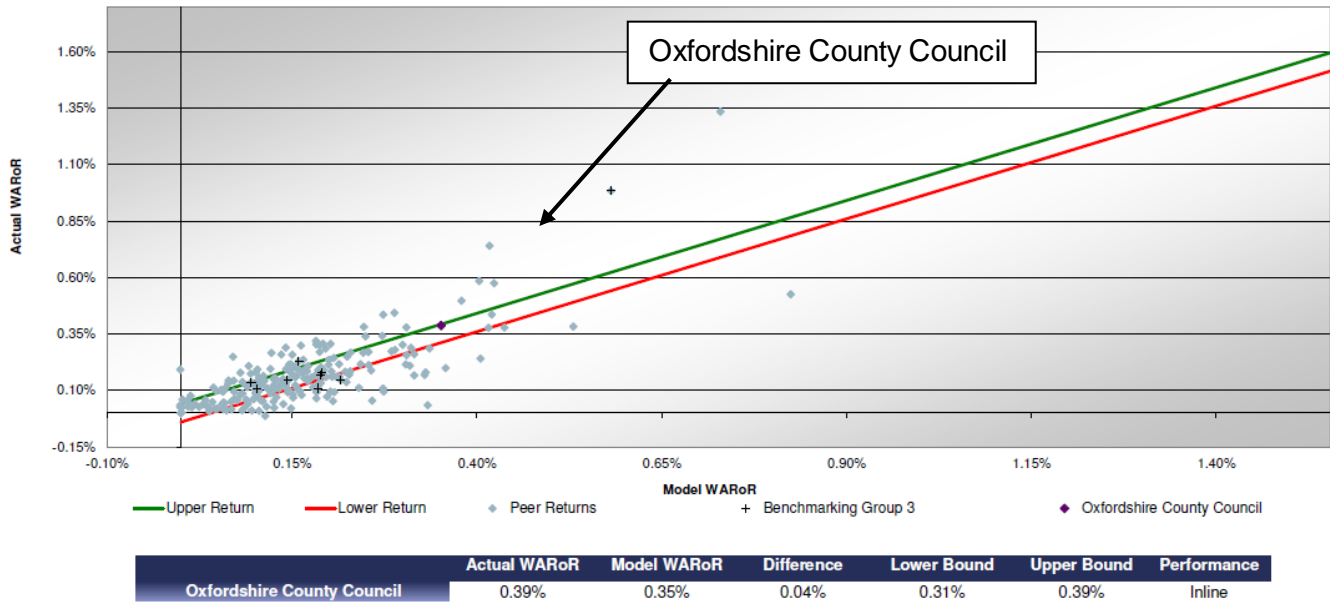
	Limit %	Actual %
From 01/04/21		
Under 12 months	0 - 20	17.00
12 – 24 months	0 - 25	5.07
24 months – 5 years	0 - 35	5.07
5 years – 10 years	5 - 40	25.46
10 years +	45 - 95	47.41

The Prudential Indicators for maturity structure are set with reference to the start of the financial year. The actual % shown above relates to the maturity period remaining at 01/04/21 on loans still outstanding at 31/03/22.

Benchmarking

Weighted Average Return

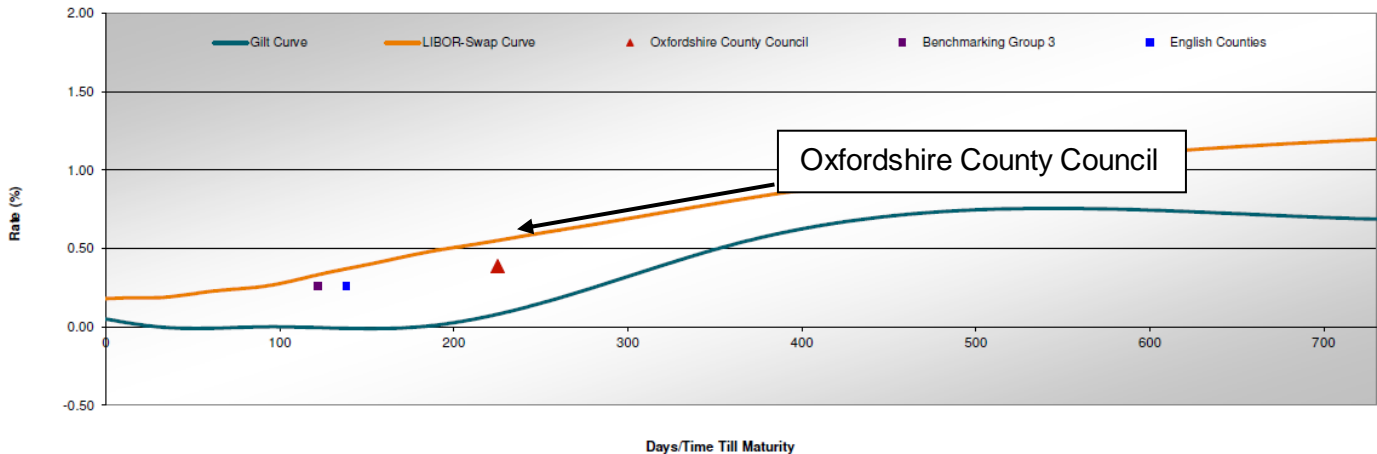
Population Returns against Model Returns



Oxfordshire County Council was in line with the upper interest rate return compared to the average achieved by Link Treasury Services clients, as at 31/03/2022.

Return Compared to Risk Free Rate

Returns Comparable Against the Risk-Free Rate and LIBOR Curve



Oxfordshire County Council achieved a higher interest rate compared to the average achieved by Link Treasury Services clients, as at 31/03/2022, by increasing the weighted average duration of deposits.