

**CABINET
16 JULY 2024**

TREASURY MANAGEMENT ANNUAL PERFORMANCE 2023/24

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

1. Cabinet is **RECOMMENDED** to note the report, and to **RECOMMEND** Council to note the council's treasury management activity and outcomes in 2023/24.

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 a report on Treasury Management activities at least four times per year. This report is the final report for the financial year 2023/24 and sets out the position at 31 March 2024.
4. Throughout this report performance for the 2023/24 financial year is measured against the budget agreed by Council in February 2023.
5. At 31 March 2024, the council's outstanding debt totalled £284m and the average rate of interest paid on long-term debt during the year was 4.39%. £10m of maturing Public Works Loan Board (PWLB) loans and £10m of LOBO¹ loans were repaid during the year. No new external borrowing was arranged during 2023/24. The Council's debt financing position for 2023/24 is shown in Annex 1.
6. The [Treasury Management Strategy for 2023/24](#) agreed in February 2023 assumed an average base rate forecast of 4.25% consistent with rates at that time. Taking into account historic loans, the investment return on in house investments for 2023/24 was forecast to be 3.00% on an average portfolio of £379m.
7. The Council achieved an average in-house return for the year of 3.96% on average cash balances of £490.107m, producing gross interest receivable of £19.617m. In relation to external funds, the return for the year was 4.70% producing gross distributions totalling £4.747m, bringing total investment income to £24.364m. This compares to budgeted

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.

investment income of £14.863m, giving a net overachievement of £9.501m which contributed to the £7.2m underspend on [Interest on Balances reported in the Provisional Outturn reported in June 2024](#). £7.819m of the investment income received was used to fund the indexation of Section 106 funding held by the council.

- At 31 March 2024, the council's investment portfolio of £537.181m comprised £439.375m in house investments and £97.806m in pooled funds with a variable net asset value. Annex 4 provides an analysis of the investment portfolio at 31 March 2024.

Treasury Management Activity

Debt Financing & Maturing Debt

- The Strategy for Long Term Borrowing agreed in February 2023 included the option to fund new or replacement borrowing up to the value of £180m through internal borrowing. The aim was 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.
- The council is able to borrow from the Public Works Loan Board (PWLB), through the money markets, or through internal borrowing by temporarily using its cash balances. The strategy for the year assumed that the council's borrowing requirement would be met through internal borrowing, as external borrowing rates were forecast to remain high during the year, then reduce over the medium term. Borrowing rates did remain high during the year, therefore no new external borrowing was arranged during 2023/24.
- As at 31 March 2024, the authority had 43 PWLB loans totalling £244.383m, 7 LOBO loans totalling £35.0m and one £5.0m money market loan. The weighted average for interest paid on long-term debt was 4.39%. The Council's debt portfolio as at 31 March 2024 is shown in Annex 1.
- As set out in Annex 2 the Council repaid £12m of maturing PWLB loans during the year. The council also repaid £10m of LOBO loans during the year, when the lender exercised their option to amend the interest rate. The outturn for interest payable on loans in 2023/24 was £12.9m which was below the budgeted figure of £13.1m.

Investment Strategy

- 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 2023/24. Fixed deposits, call accounts, notice accounts, money market funds and pooled funds were utilised to deposit the council's in-house cash surpluses. Credit quality information regarding the institutions on the council's approved Lending List was continuously monitored to reduce risk.
- In order to reduce credit risk exposure, deposits with other local authorities were favoured over deposits with banking institutions which still carry bail in risk. The rates achieved when lending to other local authorities was similar to the rates offered by banks. This strategy therefore reduced credit risk without foregoing investment return.

15. The 2023/24 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.

The Council's Lending List

16. 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 2023/24.

Investment Income Received in 2023/24

17. 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 2023/24 was 3.00% and assumed an average in-house cash balance of £379.144m.
18. The actual average daily balance of temporary surplus cash invested in-house was £490.107m in 2023/24 and the average in-house return was 3.96%, producing gross interest receivable of £19.617m. Gross distributions from pooled funds totalling £4.747m were also realised in year, bringing total investment income to £24.364m. This compares to budgeted investment income of £14.863m, giving a net overachievement of £9.501m. The net overachievement was as a result of a combination of higher than forecast average cash balances, interest rates peaking higher than forecast, and higher than forecast distributions from pooled funds. £7.819m of the investment income received was used to fund the indexation of Section 106 funding held by the council.
19. Cash balances for the year were lower than they otherwise would have been as a result of negative High Needs DSG balances which increased from £41.1m at 1 April 2023 to £55.8m at 31 March 2024. The impact of this is an estimated opportunity cost of £2.23m in unearned interest during 2023/24. The cumulative impact of this to 31 March 2024 is £2.98m.
20. The Council operates a number of instant access call accounts and money market funds to deposit short-term cash surpluses. During 2023/24 the average balance held on instant access was £58.524m.
21. At 31 March 2024 the total value of pooled fund investments was £97.805m. The values as at 31 March 2024 represented a book value gain of £2.448m compared to the value at 31 March 2023.
22. The statutory override which requires councils to hold changes in fair value to external funds on the balance sheet is due to expire in March 2025. If the override is not extended, changes in fair value of the funds will be taken to the revenue account, which could cause an unfunded pressure. To mitigate against such potential pressures in future years, a

reserve has been created with an initial contribution of £5m to smooth out any fluctuations in pooled fund values.

23. At 31 March 2024, the Council's investment portfolio of £537.181m comprised £399.700m of fixed term deposits, £39.675m at short term notice in money market funds and £97.805m in pooled funds with a variable net asset value. Annex 4 provides an analysis of the investment portfolio at 31 March 2024.
24. During 2023/24 the Council entered into a new Revolving Credit Facility (RCF) of £10m with Yorkshire Housing Ltd. None of the RCFs in place during the year were utilised. Non utilisation fees for the facilities produced £0.065m interest for the year.
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 March 2024 is included at Annex 3.

Prudential Indicators for Treasury Management

26. The strategy for the year included treasury limits and prudential indicators in relation to debt and interest rate exposure, as a way to limit the risk the council is exposed to.
27. During the financial year, the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy for 2023/24. The outturn for the Prudential Indicators is shown in Annex 4.

External Performance Indicators and Statistics

28. 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 2024 are included in Annex 5.
29. The benchmarking results show that the Council was achieving lower than average interest on deposits at 31 March 2024 compared to the benchmark group. This is as result of placing deposits with institutions that are of higher than average credit quality, coupled with a lag on average returns due to on-going historic loans taken out before the period of global economic volatility.

Financial Implications

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

Comments checked by:

Kathy Wilcox, Head of Corporate Finance and Deputy Section 151 Officer ,
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Legal Implications

31. 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:

Paul Grant, Head of Legal, paul.grant@oxfordshire.gov.uk

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.

Lorna Baxter

Executive Director of Resources & Section 151 Officer

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June 2024

OXFORDSHIRE COUNTY COUNCIL DEBT PROFILE 31 MARCH 2024

LOAN No	£m	RATE %	Start Date	End Date
483469	3.000	4.250	12/11/1999	22/11/2024
483659	2.000	4.250	25/11/1999	30/04/2025
487777	4.000	4.650	16/05/2003	01/05/2028
488562	7.650	4.700	19/03/2004	16/03/2030
488563	1.733	4.700	19/03/2004	16/03/2030
488989	6.000	4.850	16/08/2004	13/07/2030
489168	6.000	4.700	22/10/2004	01/03/2030
489287	6.000	4.600	22/11/2004	01/04/2032
489429	6.000	4.550	02/12/2004	01/06/2032
489856	5.000	4.600	06/05/2005	01/05/2033
490105	5.000	4.450	23/05/2005	01/12/2033
491669	4.000	4.450	23/05/2006	14/06/2026
491948	5.000	4.650	16/08/2006	31/12/2026
491957	4.000	4.500	18/08/2006	31/12/2031
491958	4.000	4.500	18/08/2006	30/09/2031
491959	2.000	4.600	21/08/2006	30/04/2027
491960	10.000	4.600	21/08/2006	30/09/2026
492021	5.000	4.350	25/08/2006	22/11/2031
492063	5.000	4.450	31/08/2006	31/03/2028
492064	5.000	4.450	31/08/2006	30/04/2027
492088	4.000	4.350	04/09/2006	02/03/2032
492117	4.000	4.450	07/09/2006	02/03/2037
492371	13.000	4.500	31/10/2006	31/12/2026
492375	10.000	4.200	01/11/2006	31/12/2036
492376	10.000	4.200	01/11/2006	31/03/2037
492386	2.000	4.350	03/11/2006	01/04/2027
492535	10.000	4.200	29/11/2006	30/06/2037

LOAN No	£m	RATE %	Start Date	End/Call Date
492561	6.000	4.250	07/12/2006	30/06/2032
492598	8.000	4.500	18/12/2006	30/04/2027
492599	6.000	4.500	18/12/2006	31/05/2027
492789	6.000	4.500	24/01/2007	31/01/2032
492990	6.000	4.450	06/03/2007	31/03/2032
492807	4.000	4.250	25/01/2007	30/06/2053
493378	4.000	4.900	11/06/2007	30/06/2032
493638	6.000	4.550	02/08/2007	30/09/2052
493803	4.000	4.650	23/08/2007	20/09/2032
493822	6.000	4.450	23/08/2007	30/09/2053
494069	6.000	4.500	21/11/2007	30/09/2052
494171	6.000	4.480	27/12/2007	31/03/2052
494200	6.000	4.420	04/01/2008	31/03/2057
494703	6.000	4.460	04/08/2008	13/07/2058
494747	10.000	4.390	15/08/2008	26/03/2058
497549	5.000	4.190	08/07/2010	14/06/2054
PWLB Total	244.383			
MM Loan 1	5.000	3.950	31/05/2005	29/05/2065
MM Loan Total	5.000			
LOBO 07	5.000	4.500	27/04/2005	27/10/2023
LOBO 09	5.000	3.680	23/11/2005	24/11/2025
LOBO 10	5.000	3.800	31/07/2006	29/07/2023
LOBO 11	5.000	3.840	31/07/2006	31/07/2026
LOBO 12	5.000	3.825	02/10/2006	04/10/2027
LOBO 13	5.000	4.010	02/10/2006	02/10/2024
LOBO 15	5.000	3.720	21/09/2006	13/10/2027
LOBO Total	35.000			
GRAND TOTAL	284.383			

Long-term debt that Matured in 2023/24

Date	Amount £m	Rate %	Repayment Type	Loan Type
30/04/2023	2.000	5.625	Maturity	PWLB
22/05/2023	2.000	5.625	Maturity	PWLB
01/11/2023	8.000	5.000	Maturity	PWLB
27/10/2023	5.000	4.290	Maturity	LOBO
31/08/2023	5.000	3.820	Maturity	LOBO
Total	22.000			

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 31/03/2024

Fixed term deposits held at 31/03/2024

Counterparty	Principal Deposited	Maturity Date
Bury Metropolitan Borough Council	£2,000,000.00	10/04/2024
Ashford Borough Council	£5,000,000.00	23/04/2024
Police and Crime Commissioner for Merseyside	£5,000,000.00	24/04/2024
North Lanarkshire Council	£5,000,000.00	24/04/2024
Ashford Borough Council	£5,000,000.00	24/04/2024
Rotherham Metropolitan Borough Council	£5,000,000.00	26/04/2024
Rotherham Metropolitan Borough Council	£5,000,000.00	26/04/2024
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
Rushmoor Borough Council	£5,000,000.00	10/05/2024
London Borough of Newham Council	£5,000,000.00	13/05/2024
London Borough of Newham Council	£5,000,000.00	13/05/2024
Gloucester City Council	£7,000,000.00	15/05/2024
Cheshire East Council	£5,000,000.00	15/05/2024
West Dunbartonshire Council	£5,000,000.00	16/05/2024
The Highland Council	£3,000,000.00	17/05/2024
Rushmoor Borough Council	£5,000,000.00	21/05/2024
North Lanarkshire Council	£5,000,000.00	21/05/2024
South Ayrshire Council	£5,000,000.00	24/05/2024
Worcestershire County Council	£5,000,000.00	06/06/2024
Manchester City Council	£5,000,000.00	17/06/2024
Worcestershire County Council	£5,000,000.00	27/06/2024
Bradford Metropolitan District Council	£5,000,000.00	28/06/2024
The Highland Council	£5,000,000.00	01/07/2024
Conwy County Borough Council	£5,000,000.00	03/07/2024
North Lanarkshire Council	£5,000,000.00	05/07/2024
Isle of Wight Council	£5,000,000.00	05/07/2024
North Lanarkshire Council	£5,000,000.00	05/07/2024
Isle of Wight Council	£5,000,000.00	05/07/2024
Conwy County Borough Council	£5,000,000.00	09/07/2024
Monmouthshire County Council	£5,000,000.00	10/07/2024
Plymouth City Council	£5,000,000.00	19/07/2024
London Borough of Lambeth Council	£5,000,000.00	22/07/2024
Bradford Metropolitan District Council	£5,000,000.00	24/07/2024
London Borough of Newham Council	£10,000,000.00	30/07/2024
Blackpool Council	£5,000,000.00	31/07/2024
Cheshire East Council	£5,000,000.00	01/08/2024
Cambridgeshire County Council	£5,000,000.00	15/08/2024
West Dunbartonshire Council	£5,000,000.00	15/08/2024

London Borough of Brent Council	£5,000,000.00	15/08/2024
Plymouth City Council	£5,000,000.00	04/09/2024
London Borough of Haringey Council	£5,000,000.00	05/09/2024
The Highland Council	£5,000,000.00	25/09/2024
Rotherham Metropolitan Borough Council	£5,000,000.00	30/09/2024
Falkirk Council	£5,000,000.00	01/10/2024
Great Yarmouth Borough Council	£8,000,000.00	08/10/2024
Orkney Islands Council	£5,000,000.00	10/10/2024
The Highland Council	£7,000,000.00	16/10/2024
London Borough of Haringey Council	£5,000,000.00	18/10/2024
West Dunbartonshire Council	£5,000,000.00	23/10/2024
Fife Council	£5,000,000.00	24/10/2024
Police and Crime Commissioner for Lancashire	£5,000,000.00	28/10/2024
Fife Council	£5,000,000.00	31/10/2024
Worthing Borough Council	£3,000,000.00	19/11/2024
Aberdeen City Council	£5,000,000.00	19/11/2024
Aberdeen City Council	£5,000,000.00	19/11/2024
Aberdeen City Council	£5,000,000.00	20/11/2024
Cambridgeshire County Council	£5,000,000.00	22/11/2024
Blackpool Council	£5,000,000.00	22/11/2024
Cheshire East Council	£5,000,000.00	22/11/2024
Moray Council	£5,000,000.00	26/11/2024
Police and Crime Commissioner for Merseyside	£5,000,000.00	11/12/2024
Merthyr Tydfil County Borough Council	£5,000,000.00	27/12/2024
Falkirk Council	£5,000,000.00	03/01/2025
Aberdeen City Council	£5,000,000.00	03/01/2025
Police and Crime Commissioner for Lancashire	£5,000,000.00	06/01/2025
South Ayrshire Council	£3,000,000.00	08/01/2025
East Dunbartonshire Council	£5,000,000.00	29/01/2025
Falkirk Council	£5,000,000.00	31/01/2025
West Dunbartonshire Council	£5,000,000.00	06/02/2025
Fife Council	£5,000,000.00	14/02/2025
Bolton Metropolitan Borough Council	£5,000,000.00	14/02/2025
Fife Council	£5,000,000.00	18/02/2025
Short Term Deposit Total	£364,700,000.00	
Counterparty	Principal Deposited	Maturity Date
Police and Crime Commissioner for Lancashire	£5,000,000.00	14/04/2025
Kirklees Council	£5,000,000.00	15/08/2025
Derbyshire County Council	£5,000,000.00	26/08/2025
North East Lincolnshire Council	£5,000,000.00	21/11/2025
Worthing Borough Council	£5,000,000.00	21/11/2025
Derbyshire County Council	£5,000,000.00	25/08/2026
Kirklees Council	£5,000,000.00	22/01/2027
Long Term Deposit Total	£35,000,000.00	
Total Deposits	£399,700,000.00	

Money Market Funds

Counterparty	Balance at 31/03/24 (£)	Notice period
Aberdeen Liquidity Fund	50,000.00	Same day
Goldman Sachs Sterling Liquid Fund	0.00	Same day
Deutsche Sterling Liquid Fund	0.00	Same day
Federated Sterling Liquidity Funds	14,600,000.00	Same day
Legal & General Sterling Liquidity Fund	25,000,000.00	Same day
CCLA Public Sector Deposit Fund	9,036.94	Same day
Morgan Stanley Sterling Liquid Fund	1,000.00	Same day
Total	39,660,036.94	

Notice / Call Accounts

Counterparty	Balance at 31/03/24 (£)	Notice period
Santander Call Account	3,643.29	Same day
Barclays Current	9,325.51	Same day
Handlesbanken	2,383.99	Same day
Total	15,401.12	

Strategic Bond Funds

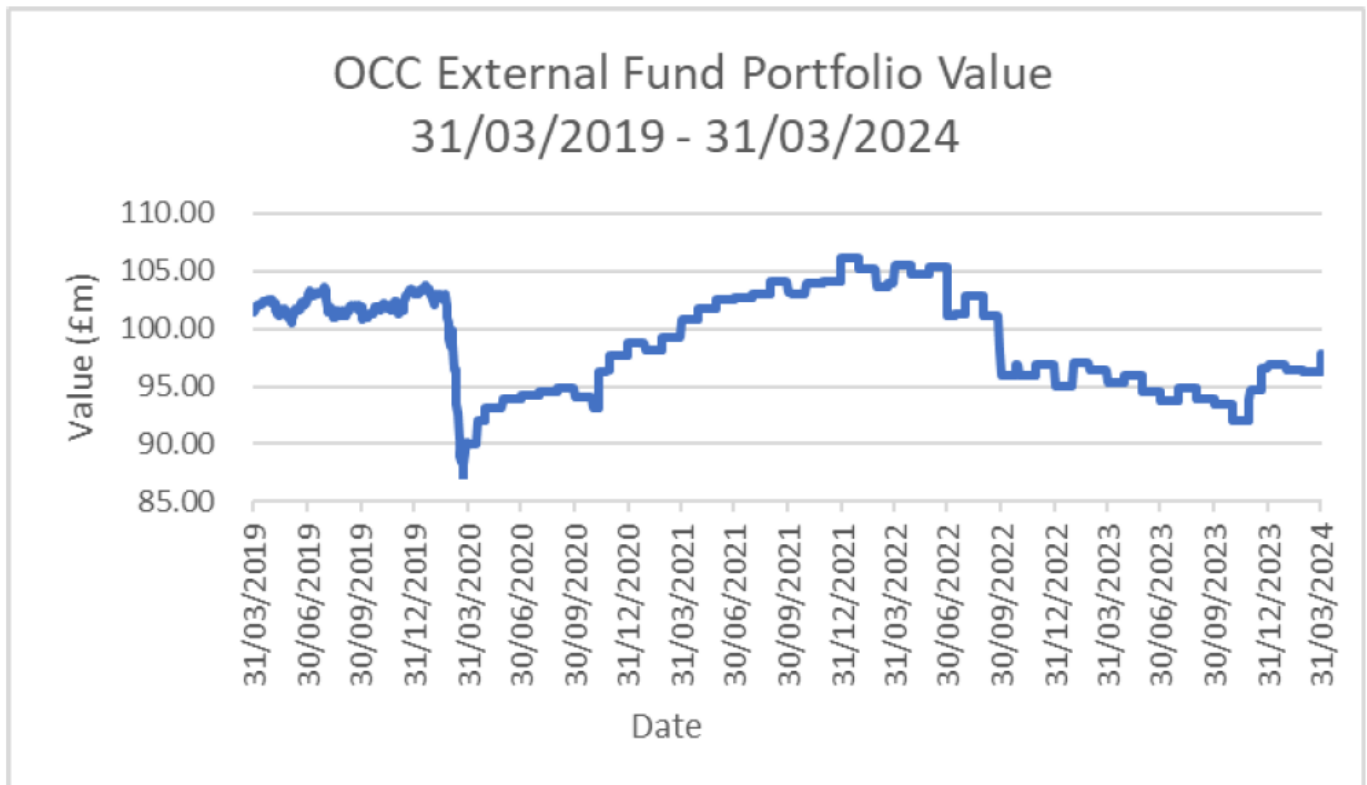
Fund	Balance at 31/03/24 (£)	Notice period
Threadneedle strategic bond fund (income)	12,387,459.53	4 days
Threadneedle Global Equity Income Fund	17,004,032.10	4 days
Kames Diversified Income	9,371,045.78	4 days
Ninety One Diversified Income	8,944,158.16	4 days
M&G Strategic Corporate Bond Fund	11,417,673.11	4 days
Schroder Income Maximiser	10,863,994.88	4 days
CCLA Better World Cautious Fund	4,925,710.94	4 days
Total	74,914,074.50	

Property Funds

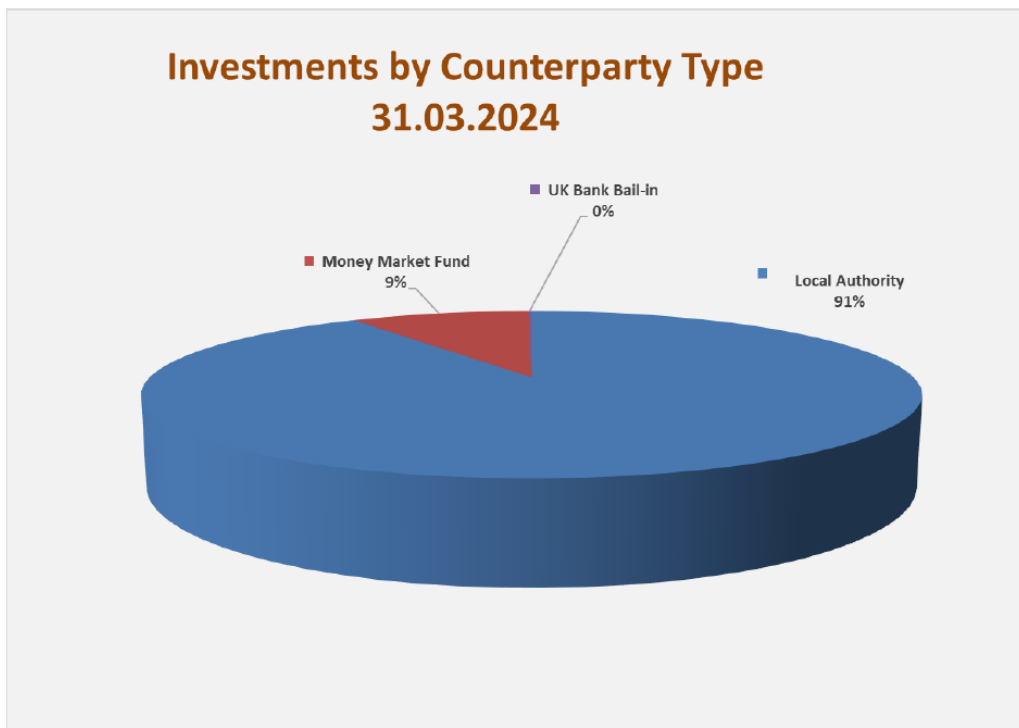
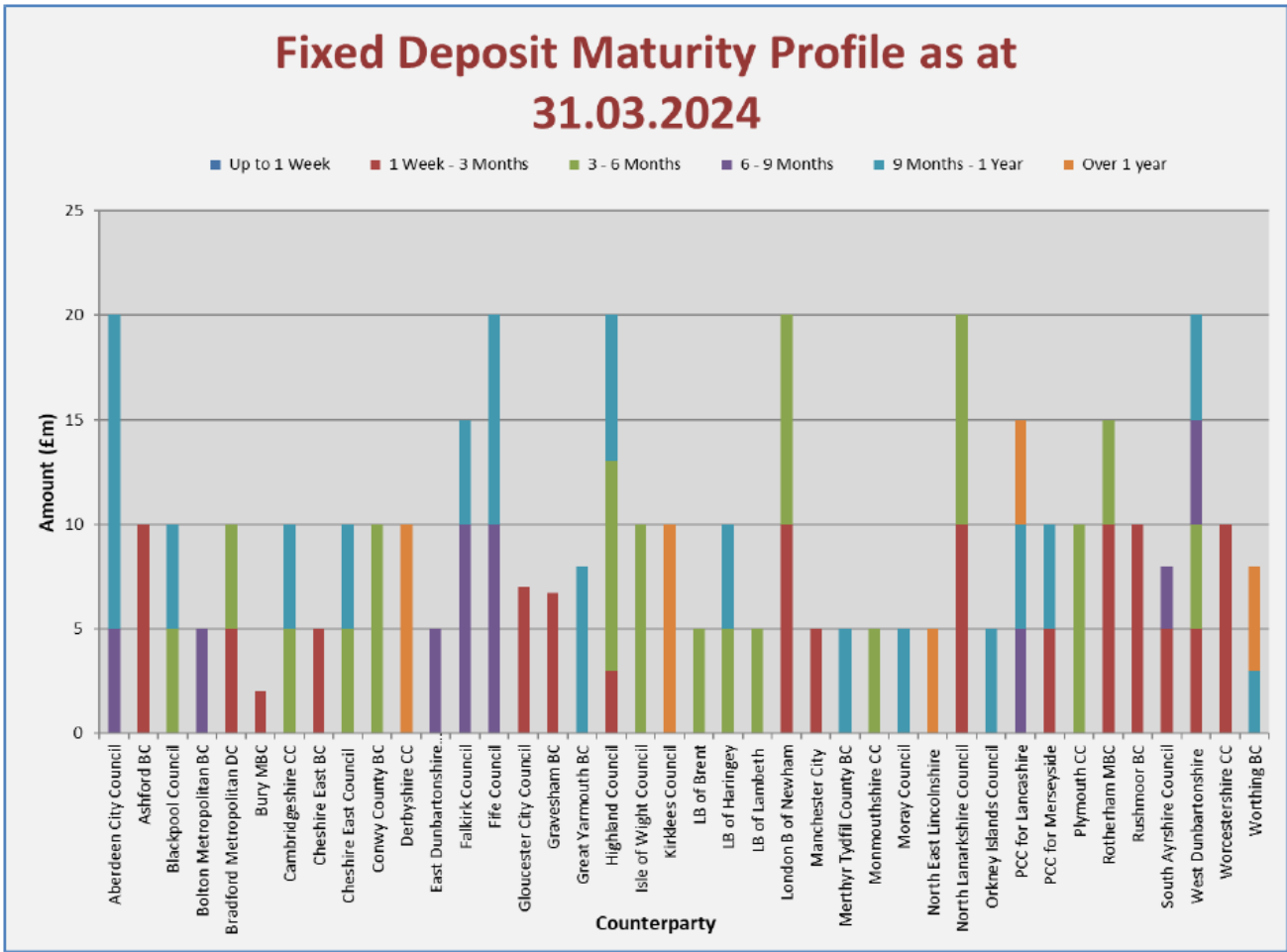
Fund	Balance at 31/03/24 (£)	Notice period
CCLA Local Authorities Property Fund	22,891,899.31	6 Monthly
Total	22,891,899.31	

Total Strategic Pooled Funds **£97,805,973.81**

Strategic Pooled Fund Portfolio Value Over Time



Investment portfolio risk profile at 31/03/24



Prudential Indicators Outturn 31 March 2024**Authorised and Operational Limit for External Debt**

Authorised Limit for External Debt	£555,000,000
Operational Limit for External Debt	£570,000,000
Actual External Debt at 31 March 2024	£301,382,618

Fixed Interest Rate Exposure

Fixed Interest Net Borrowing limit	£350,000,000
Actual at 31 March 2024	-£135,317,382

Variable Interest Rate Exposure

Variable Interest Net Borrowing limit	0
Actual at 31 March 2024	-£85,481,411

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 2024	£35,000,000

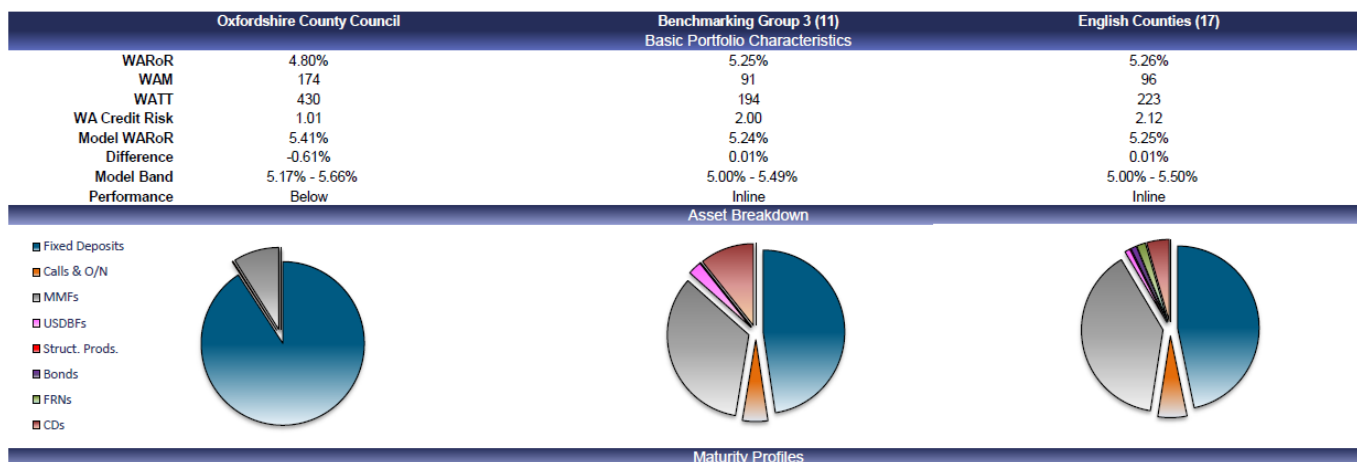
Maturity Structure of Borrowing at 31/03/24

	Limit %	Actual %
From 01/04/23		
Under 12 months	0 - 20	3.52
12 – 24 months	0 - 25	1.05
24 months – 5 years	0 - 35	20.04
5 years – 10 years	5 - 40	30.02
10 years +	40 - 95	45.36

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 01/04/23 on loans still outstanding at 31/03/24.

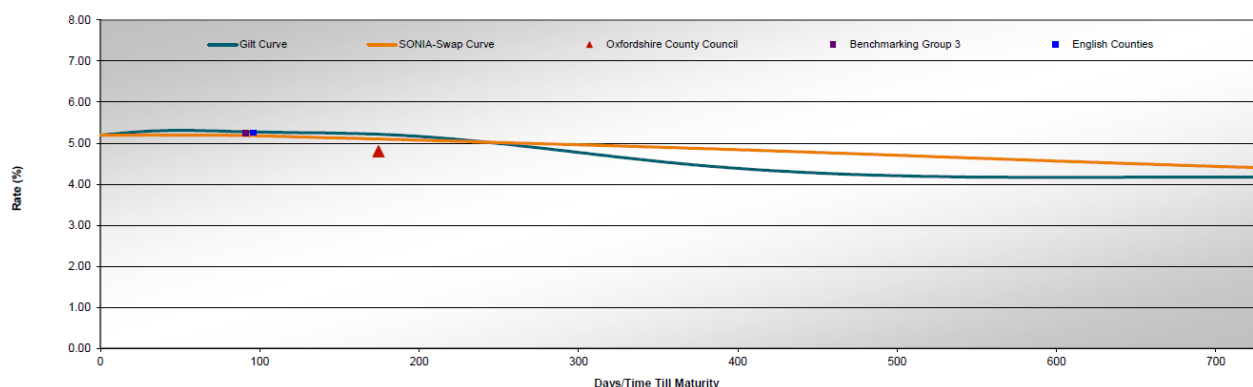
Benchmarking

Weighted Average Return



Oxfordshire County Council

Returns Comparable Against the Risk-Free Rate and SONIA Swap Curve



	WARoR	WAM	WATT	WARisk	Gilt	SONIA-Swap	Difference		Model Bands	Performance
							Gilt	SONIA-Swap		
Oxfordshire County Council	4.80%	174	430	1.01	5.22%	5.10%	-0.42%	-0.30%	5.17% - 5.66%	Below
Benchmarking Group 3	5.25%	91	194	2.00	5.28%	5.19%	-0.03%	0.06%	5.00% - 5.49%	Inline
English Counties	5.26%	96	223	2.12	5.27%	5.18%	-0.01%	0.08%	5.00% - 5.50%	Inline

Oxfordshire County Council had a lower return compared to peers as at 31/03/2024, though with a much lower credit risk. The lower return was as a result of interest lag due to some historic loans.