

# Cabinet Agenda



Contact: Steve Culliford, Democratic Services Officer  
Telephone: 01235 422522  
Email: [steve.culliford@southandvale.gov.uk](mailto:steve.culliford@southandvale.gov.uk)  
Date: 3 August 2016  
Website: [www.whitehorsedc.gov.uk](http://www.whitehorsedc.gov.uk)

## A meeting of the **Cabinet**

will be held on Friday 12 August 2016 at 10.30 am  
Meeting Room 1, 135 Eastern Avenue, Milton Park, Milton, OX14 4SB

### Cabinet Members:

#### Councillors

Matthew Barber (Chairman)  
Roger Cox (Vice-Chairman)  
Eric Batts  
Charlotte Dickson

Mike Murray  
Robert Sharp  
Elaine Ware

**Alternative formats of this publication are available on request. These include large print, Braille, audio, email and easy read. For this or any other special requirements (such as access facilities) please contact the officer named on this agenda. Please give as much notice as possible before the meeting.**

A handwritten signature in black ink, appearing to read 'M Reed', written in a cursive style.

Margaret Reed  
Head of Legal and Democratic Services

## Agenda

### Open to the Public including the Press

#### Council's vision

The council's vision is to take care of your interests across the Vale with enterprise, energy and efficiency.

## **1. Apologies for absence**

To receive apologies for absence.

## **2. Minutes**

(Pages 3 - 7)

To adopt and sign as a correct record the minutes of the Cabinet meeting held on 15 April 2016 (attached).

## **3. Declarations of interest**

To receive any declarations of disclosable pecuniary interests in respect of items on the agenda for this meeting.

## **4. Urgent business and chairman's announcements**

To receive notification of any matters which the chairman determines should be considered as urgent business and the special circumstances which have made the matters urgent, and to receive any announcements from the chairman.

## **5. Statements, petitions, and questions relating to matters affecting the Cabinet**

Any statements, petitions, and questions from the public under standing order 32 will be made or presented at the meeting.

## **6. Recommendations from Scrutiny Committee**

At its meeting on 28 July 2016, Scrutiny Committee discussed the capital and new homes bonus grants schemes and the impact of recent policy changes. The committee has made the following recommendation to Cabinet:

**RECOMMENDED** to Cabinet that, in order to simplify the process, authority to award community grants be delegated to a single council-wide committee or panel from a single fund.

## **7. Treasury management outturn 2015/16**

(Pages 8 - 30)

To consider the head of finance's report.

## **Exempt information under section 100A(4) of the Local Government Act 1972**

None



# Minutes

of a meeting of the

# Cabinet

held on Friday 15 April 2016 at 10.00 am

in the Meeting Room 1, 135 Eastern Avenue, Milton Park, Milton, OX14 4SB

Open to the public, including the press

## Present:

Members: Councillors Matthew Barber (Chairman), Roger Cox (Vice-Chairman), Eric Batts, Charlotte Dickson, Mohinder Kainth, Sandy Lovatt, Mike Murray and Elaine Ware

Officers: Steve Culliford, William Jacobs, Margaret Reed and Sally Truman

Number of members of the public: Nil

## Ca.46 Apologies for absence

None

## Ca.47 Minutes

**RESOLVED:** to approve the minutes of the Cabinet meetings held on 28 January, including its appendix, and 5 February 2016 as correct records and agree that the chairman signs them as such.

## Ca.48 Declarations of interest

None

## Ca.49 Urgent business and chairman's announcements

None

## Ca.50 Statements, petitions, and questions relating to matters affecting the Cabinet

Naomi Richardson, an Abingdon resident, had submitted questions to Cabinet regarding the Abbey Meadows' improvements in Abingdon. In her absence, these were put to the meeting:

"1. How will the pool be a viable business if it has nice changing rooms, but if the actual swimming pool is cold, has a leaky liner, has an outdated and expensive heating system, many broken surfaces leading to hazards and is currently unsuitable for use by small children? In other words, what is the business plan for the investment as it looks like a

waste of money to fix changing rooms and not the actual pool? How much ROI will changing room enhancements have if there are no pool enhancements?

2. How does a tunnel enhance the entrance to Abbey Meadows when these usually become covered in graffiti, smell of wee and are a trap for litter?

3. Why has the 10+ play area been crammed into the crazy golf area right next to the play area for little kids (this is a problem with larger kids running around the toddlers), when there is a whole field of pitch and putt in which a fantastic adventure playground could be sited? NB: Kilkenny country park in Carterton is the best park in the entire county and cost £192k and there is more than enough room for something at least as good in Abbey Meadows. Many people I know drive all the way over to Carterton regularly to access this park. If you really want to enhance Abbey Meadows, this is the way to go.

4. Why has a multi-sports area been proposed when this is inappropriate for a busy playground? Small groups of kids 'claim' the area for their use and keep other kids out; I've seen this in the Southern park and Peachcroft; this does not enhance the atmosphere of community, but causes conflict and stress and a gang mentality.

5. Can the council ensure that new seating does not impede line of sight for the area around the splash park to the splashers as this would make it even more difficult to keep tabs on kids?"

The leader of the council reported that the Cabinet member responsible for property would provide a written response to these questions and asked that the replies be appended to these minutes.

## **Ca.51 Corporate plan review**

Cabinet considered the head of corporate strategy's report, which proposed a new corporate plan to cover the period 2016 to 2020. This identified the council's strategic objectives and priorities, and would help guide decisions on the allocation of resources. The corporate plan, if adopted by Council, would replace the priorities set out in the corporate plan that ended in 2016.

The Cabinet member responsible for the corporate plan reported that he had attended the Scrutiny Committee meeting on 14 April, which suggested several amendments and he agreed to take these into consideration before a final version was submitted to Council on 11 May. The changes included:

- Several typographical amendments
- In the section titled 'housing and infrastructure' amend the sixth bullet point to read 'work with developers and other partners to develop a protocol that will ensure high quality, sympathetic designs across all different areas of the district'
- In the section on tackling infrastructure challenges, add a reference to the Oxford and Abingdon flood alleviation scheme
- In the section on tackling infrastructure challenges, add a reference to health, education and other infrastructure
- In the section titled 'sustainable communities and wellbeing' amend the fourth bullet point to read 'continuous improvement programmes to allow better access to our leisure centres, schemes and facilities'

- In the section titled 'sustainable communities and wellbeing' amend the ninth bullet point to read 'carrying out district-wide deep cleans of streets, pavements, public footpaths and to remove graffiti'
- Add a bullet point in the same section to deliver the council's community safety partnership objectives as set out in the partnership's plan
- In the section titled 'building an even stronger economy', amend the eighth bullet point to read 'working with developers to introduce local apprenticeship and local workforce schemes that benefit all residents'
- In the section titled 'running an efficient council', amend the first bullet point to read 'keeping district council tax low'
- In the section titled 'running an efficient council', amend the second bullet point to read 'continuing to work in partnership with South Oxfordshire District Council and others to develop new ideas for improving service delivery, including moving to a unitary council covering southern Oxfordshire'
- Amend the last bullet point in the draft corporate plan to read 'seek to improve access to major new developments and town centres for people with disabilities, carers and older people'

**RECOMMENDED:** to Council to adopt the Corporate Plan 2016 – 2020, subject to changes to be agreed with the Cabinet member responsible for the corporate plan and the Cabinet member for community safety.

#### **Exempt information under section 100A(4) of the Local Government Act 1972**

None

The meeting closed at 10.11am

WRITTEN RESPONSES TO QUESTIONS FROM NAOMI RICHARDSON  
TO CABINET – 15 APRIL 2016

**1. How will the pool be a viable business if it has nice changing rooms, but if the actual swimming pool is cold, has a leaky liner, has an outdated and expensive heating system, many broken surfaces leading to hazards and is currently unsuitable for use by small children? In other words, what is the business plan for the investment as it looks like a waste of money to fix changing rooms and not the actual pool? How much ROI will changing room enhancements have if there are no pool enhancements?**

The pool's clearly important to residents, which is why we've committed to keeping it open. We have an ongoing maintenance and repair budget to keep the pool in service and ensure that it meets the standards required.

We have worked with GLL over the winter to resolve the heating issue so this should no longer be a problem.

We also ensure that any issues with the hazard surfaces are dealt with as quickly as possible to ensure all pool users have a safe environment.

The changing rooms are an integral part of the pool complex and therefore need to meet health and safety standards. As the changing rooms are often the first area that people use and last area they leave it's vital that they provide a pleasant environment. It will also provide a much more attractive approach to the complex which in turn will enhance the whole area.

We're now looking to see what grants are available to help us raise money for even more improvements and this could include further work to the pool if we can source sufficient funds.

**2. How does a tunnel enhance the entrance to Abbey Meadows when these usually become covered in graffiti, smell of wee and are a trap for litter?**

The proposed walkway is not a tunnel – the concept proposal is that it will be a covered link between the two changing rooms and the new public toilets. It will also create a view of the river. If we choose to move forward with this concept then we will involve community safety and the police to ensure it meets Secured by Design standards. Our aim is for this area to look welcoming and be well looked after – areas that achieve this tend to put off potential vandals in the first place.

**3. Why has the 10+ play area been crammed into the crazy golf area right next to the play area for little kids (this is a problem with larger kids running around the toddlers), when there is a whole field of pitch and putt in which a fantastic adventure playground could be sited? NB: Kilkenny country park in Carterton is the best park in the entire county**

**and cost £192k and there is more than enough room for something at least as good in Abbey Meadows. Many people I know drive all the way over to Carterton regularly to access this park. If you really want to enhance Abbey Meadows, this is the way to go.**

These are just concept designs at present. The intention is to develop the brief with stakeholders . We intend to hold a design competition with equipment suppliers for them to demonstrate how to create a safe and fun experience.

The crazy golf is currently used by limited numbers. Freeing up space means we can expand the play area and create a new area for older children. This will mean it gets used all year round and by more people. The pitch and putt will remain available for those wishing to play golf.

The new adventure play area will not be crammed into the crazy golf area, our aim is to expand entire site where the existing play area and crazy golf currently sit with the adventure play area for older children separated appropriately from the young children's area and complementing the pitch and putt. This will create much more play space for both younger and older children.

**4. Why has a multi-sports area been proposed when this is inappropriate for a busy playground? Small groups of kids 'claim' the area for their use and keep other kids out; I've seen this in the Southern park and Peachcroft; this does not enhance the atmosphere of community, but causes conflict and stress and a gang mentality.**

It has been suggested that a multi-use games area is inappropriate for a busy playground. Experience of MUGAs used in other areas of the Vale suggest otherwise.

The tennis court also only has limited use and we want more people to be able to use this space, and throughout the year.

By turning it in a multi-use area it means people can also use it for many different sports such as football and basketball.

Our aspiration is to create a facility which allows a range of age groups visit the Meadow. We intend to hold a design competition for tenders to demonstrate how to create a safe and fun experience. Again we will look for guidance from the community safety and police on the design.

**5. Can the council ensure that new seating does not impede line of sight for the area around the splash park to the splashers as this would make it even more difficult to keep tabs on kids?**

The new picnic tables will be carefully positioned on the outer edges of the pad area to ensure that children are visible at all times.

# Joint Audit and Governance Committee, Cabinet, Council



Report of Head of Finance

Author: Rhona Bellis, Principal Accountant

Telephone: 01235 422497

Textphone: 18001 01235 422497

E-mail: [rhona.bellis@southandvale.gov.uk](mailto:rhona.bellis@southandvale.gov.uk)

SODC cabinet member responsible: Councillor Jane Murphy

Telephone: **07970 932054**

E-mail: [jane.murphy@southoxon.gov.uk](mailto:jane.murphy@southoxon.gov.uk)

VWHDC cabinet member responsible: Councillor Matthew Barber

Telephone: **07816 481452**

E-mail: [matthew.barber@whitehorsedc.gov.uk](mailto:matthew.barber@whitehorsedc.gov.uk)

To: Joint Audit and Governance Committee

DATE: 4 July 2016 by Joint Audit and Governance Committee

6 Oct 16(S) / 12 Aug 16 (V) by Cabinet

13 Oct 16 (S) / 12 Oct 16 (V) by Council

## Treasury Outturn 2015-16

### That Joint Audit and Governance Committee:

1. notes the treasury management outturn report 2015/16,
2. is satisfied that the treasury activities are carried out in accordance with the treasury management strategy and policy, and
3. make any comments and recommendations to Cabinets as necessary.

### That Cabinet:

Considers any comments from Joint Audit and Governance Committee and recommends Council to:

1. approve the treasury management outturn report for 2015/16;
2. approve the actual 2015/16 prudential indicators within the report.



## **Purpose of report**

1. This report fulfils the legislative requirements to ensure the adequate monitoring and reporting of the treasury management activities and that the councils' prudential indicators are reported to the councils at the end of the year. The report provides details of the treasury activities for the financial year 2015/16.
2. This complies with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA's) Code of Practice on Treasury Management (revised) 2009.

## **Strategic objectives**

3. Effective treasury management is required in order to meet our strategic objective of managing our business effectively. Managing the finances of the authorities in accordance with the treasury management strategy will help to ensure resources are available to deliver our services and meet the councils' other strategic objectives.

## **Background**

4. The councils' treasury activities are strictly regulated by legislation. The CIPFA Prudential Code and CIPFA Treasury Management Code of Practice require a report to be provided to the councils at the end of the financial year.
5. This report provides details on the treasury activity and performance for 2015/16 against prudential indicators and benchmarks set for the year in the 2015/16 treasury management strategy (TMS), approved by each council in February 2015. Each council is required to approve this report.
6. Capita Asset Services are the councils' retained treasury advisors.
7. There are three types of investment the performance of which is covered in this report
  - a. True Treasury investments – these investments are primarily for generating interest for the councils. Examples of these are loans to banks or other local authorities. It also includes investments in property funds.
  - b. Non-treasury loans – these are loans to third parties, which earn a return, but they do not fall under the strict definition of a treasury investment.
  - c. Property investments - both councils have investment properties let on commercial bases. The primary purpose of holding these assets is for investment purposes and they are not part of regeneration schemes.
8. The councils continue to invest with regard for security, liquidity and yield, in that order.

## **Economic conditions and factors effecting investment returns during 2015/16**

9. UK bank base rates have remained at an historic low of 0.5 per cent since 2009. Capita Asset Services provide a regular forecast of interest rates and the latest forecast is reproduced in **appendix A**. This forecast shows that base rates are expected to continue at low levels for the near future. There are a number of reasons for this assumption, including the spare capacity in the UK economy suppressing inflationary forces and uncertainty over the heavily geared Chinese economy.

10. The TMS makes clear that investment priority is given to the security of principal in the first instance. As a result, investments have only been made with counterparties of high credit quality and low risk. Since the global banking crisis and the downgrading of the credit ratings of many banks, it has become increasingly difficult to place money as institutions with high credit ratings have been offering lower rates.
11. Average treasury investment balances were higher for both councils than expected in the year. This arose from a combination of accumulated revenue and capital surpluses/slippage and unbudgeted grant receipts. More cash to invest has been a factor in the surplus of treasury investment income over budget in the year.
12. Investments that have helped to keep yields up for both councils include longer term investments taken out when rates were higher, the CCLA property fund at both councils, and the Unit Trusts at South.
13. Outlook for 2016/17 – as discussed above, interest rates are expected to remain low for the near future. In order to reduce risk efforts are being made to rebalance the treasury portfolio to reduce the value held by building societies. Other counterparties being considered are high rated foreign banks, other councils and treasury bills.

## Summary of investment activities during 2015/16

14. Prudential limits (security). During the year none of the prudential code limits set each year in the TMS were exceeded. Both councils are required by the Prudential Code to report on the limits set each year in the TMS. The purpose of these limits is to ensure that the activity of the treasury function remains within certain parameters, thereby mitigating risk and reducing the impact of an adverse movement in interest rates. However, if these limits are set to be too restrictive they may impair the opportunities to reduce costs/improve performance. These limits are shown in **appendix B**.
15. The benchmark for liquidity is the Weighted Average Life (WAL) of treasury investments in days, which sets an indicator for how long investments should be made. Both councils exceeded the benchmark for WAL but were well within the acceptable ranges as set out in the TMS for 2015/16. The benchmarks for liquidity are set to ensure that sufficient funds can be accessed at short notice. These are set as targets and not definitive limits.
16. Yield - the performance of the two councils is summarised in the tables below.

South		Treasury investments £000	Non treasury loan £000	Sub Total £000	Property investment £000	Overall total £000
1	Average investment balance <sup>1</sup>	117,525	15,000	132,525	8,950	141,475
2	Budgeted investment income <sup>2</sup>	1,465	623	2,088		
3	Gross investment income	1,826	624	2,450	774	3,224
4	surplus/(deficit) (3) - (2)	361	1	362		
5	Rate of return (3) ÷ (1)	1.55%	4.16%	1.85%	8.65%	2.28%

<sup>1</sup> For property the balance shown is the fair value of investment properties at 31<sup>st</sup> March 2016

<sup>2</sup> The budget for investment properties is not separately identified in ELP's budget

Vale		Treasury investments £000	Property investment £000	Overall total £000
1	Average investment balance <sup>1</sup>	42,804	8,210	51,014
2	Budgeted investment income <sup>2</sup>	411		
3	Gross investment income	542	542	1,084
4	surplus/(deficit) (3) - (2)	131		
5	Rate of return (3) ÷ (1)	1.27%	6.6%	2.12%

17. Both councils have exceeded their treasury budgeted investment income this year in terms of both actual income against budget and rates of return against benchmark. As benchmarks are quite detailed, they are not included above, but are included in the appendices that follow this report.
18. Detailed reports on the treasury activities for each council and performance for 2015/16 against prudential indicators and benchmarks set for the year in the 2015/16 are contained in **appendix C** – South Oxfordshire DC and **appendix D** – Vale of White Horse DC.
19. A detailed list of both councils' treasury investments as at 31 March 2016 is shown at **appendix E**.

## Debt activity during 2015/16

20. During 2015/16, there has not been a need for either council to borrow and both councils continue to take a prudent approach to their debt strategy. The prudential indicators and limits set out in **appendix B** provide the scope and flexibility for the Council to borrow in the short-term if such a need arose for cash flow purposes to support the council(s) in the achievement of their service objectives.

## Financial implications

21. The treasury investments made in 2015/16 ensured that both councils exceeded their budgeted targets for treasury investment income. Income earned from investments is used to support the councils' medium term financial plans and contributes to the councils' balances, or supports the in-year expenditure programmes.
22. Looking forward, income is anticipated to remain stable with any increase due to rises in market rates offset by a general reduction in the balances available to invest. This will be reflected in the councils' 2017/18 budgets and medium term financial plans.

## Legal implications

23. There are no significant legal implications. Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services and the DCLG Local Government Investment Guidance provides assurance that the councils' investments are, and will continue to be, within their legal powers.

## **Conclusion**

24. Despite a difficult operating environment, both councils continued to make investments during 2015/16 that maintained security and liquidity whilst providing a return that exceeded market benchmarks.

## **Background papers**

- Chartered Institute of Public Finance and Accounting (CIPFA) code of practice for treasury management in the public sector.
- DCLG Local Government Investment Guidance
- CIPFA treasury management in the public services code of practice and cross sectoral guidance notes
- Treasury Management Strategy 2015/16 – Councils in February 2015.

## **Appendices**

- A. Interest rate forecasts
- B. Prudential limits
- C. SODC – Treasury activities 2015-2016
- D. VWHDC – Treasury activities 2015-2016
- E. Treasury investments as at 31 March 2016
- F. Glossary of terms

**Interest rate forecast as at March 2016**

The table below shows Capita Asset Services' forecast of the expected movement in medium term interest rates:

	NOW	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
BANK RATE	0.50	0.50	0.50	0.50	0.75	0.75
3 month LIBID	0.50	0.50	0.50	0.60	0.80	0.80
6 month LIBID	0.70	0.70	0.70	0.80	0.90	1.00
12 month LIBID	1.00	1.00	1.00	1.10	1.20	1.30
5 yr PWLB	1.75	1.90	2.00	2.10	2.20	2.30
10 yr PWLB	2.45	2.40	2.50	2.60	2.70	2.80
25 yr PWLB	3.21	3.20	3.30	3.30	3.50	3.50
50 yr PWLB	3.00	3.00	3.10	3.10	3.30	3.30
	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
BANK RATE	1.00	1.00	1.25	1.25	1.50	1.50
3 month LIBID	1.00	1.10	1.30	1.30	1.60	1.80
6 month LIBID	1.20	1.40	1.60	1.70	1.80	2.00
12 month LIBID	1.50	1.70	1.90	2.00	2.10	2.30
5 yr PWLB	2.40	2.60	2.70	2.80	2.90	3.00
10 yr PWLB	2.90	3.00	3.10	3.30	3.40	3.50
25 yr PWLB	3.60	3.60	3.70	3.70	3.70	3.80
50 yr PWLB	3.40	3.40	3.50	3.60	3.60	3.70

## Prudential limits (indicators) as at March 2016

	Vale		South	
	Original estimate £m	Actual position £m	Original estimate £m	Actual position £m
<b>Authorised limit for external debt</b>				
Borrowing	30	0	5	0
Other long term liabilities	5	0	5	0
	<b>35</b>	<b>0</b>	<b>10</b>	<b>0</b>
<b>Operational boundary for external debt</b>				
Borrowing	25	0	2	0
Other long term liabilities	0	0	3	0
	<b>25</b>	<b>0</b>	<b>5</b>	<b>0</b>
<b>Investments</b>				
<b>Interest rate exposures</b>				
Limits on fixed interest rates	60	23	100	87
Limits on variable interest rates	30	4	30	18
<b>Maximum principal sums invested &gt; 364 days</b>				
Upper limit for principal sums invested > 364 days	30	6	70	62
Limit to be placed on investments to maturity				
1 - 2 years	0	0	70	7
2 - 5 years	0	0	50	9
5 years +	0	0	50	0
<b>Investment portfolio spread</b>				
Supranational bonds	10	0	15	0
Gilts	n/a	0	15	0
Equities*	3	0	10	13
Corporate bonds	5	0	10	0
Money market funds	20	1	20	5
Pooled bond fund	0	0	5	0
Property - direct investments	n/a	0	30	16
Property related pooled funds	3	2	20	5
Cash and certificates of deposit			85%	78%
Debt management account deposit facility	100%	0%	100%	0%

\*Limit at time of purchase - Equities include accumulated dividends

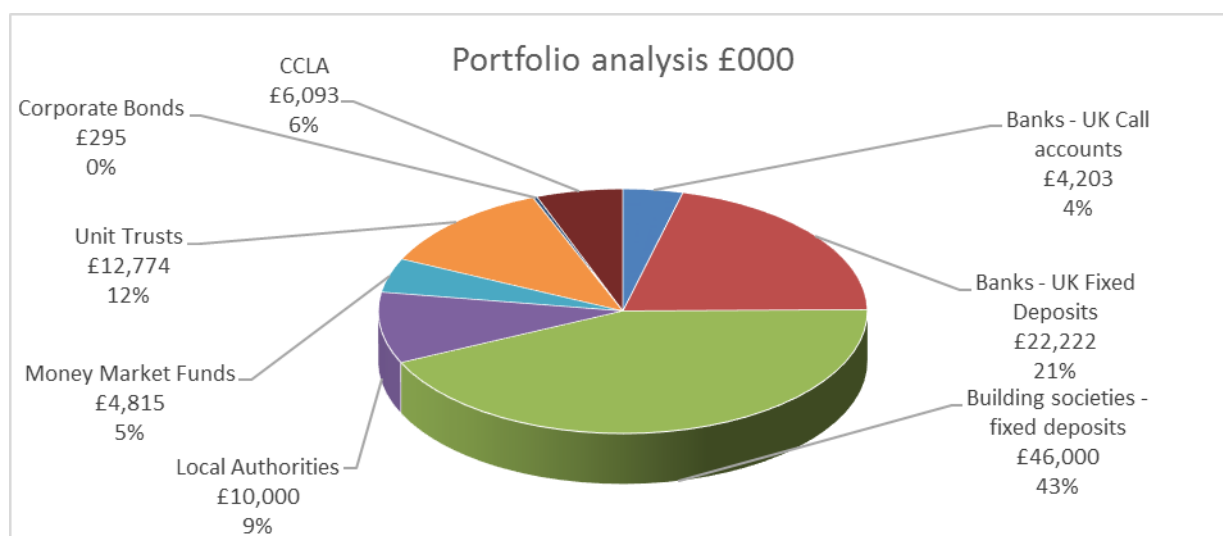
## SODC treasury activities in 2015/16

### Council treasury investments as at 31 March 2016

- The council's treasury investments, analysed by age as at 31 March 2016 were as follows:

<b>Table 1: maturity structure of investments at 31 March 2016:</b>		
	<b>£000</b>	<b>% holding</b>
Call	4,203	4%
Money market fund	4,815	5%
<b>Cash available within 1 week</b>	<b>9,018</b>	<b>9%</b>
Up to 4 months	37,500	35%
5-6 months	6,000	6%
6 months to 1 year	18,500	17%
Over 1 year	16,000	15%
Kaupthing Singer & Friedlander	222	0%
<b>Total cash deposits</b>	<b>87,240</b>	<b>82%</b>
CCLA Property Fund	6,093	6%
Equities (Unit trusts)	12,774	12%
Corporate Bonds	295	0%
<b>Total investments</b>	<b>106,402</b>	<b>100%</b>

- The majority of the funds invested are held in the form of fixed interest rate and term cash deposits. These provide some certainty over the investment return.
- The investment profile is organised in order to ensure sufficient liquidity for revenue and capital activities, security of investments and to manage risks within all treasury management activities.
- The chart below shows in percentage terms how the portfolio above is spread across the investment types:



### Treasury investment income

5. The total income earned on investments during 2015/16 was £1.9 million, compared to the original budget of £1.5 million, as shown in table 2 below:

Investment type	Interest earned		
	Annual Budget	Actual	Variation
	£000	£000	£000
Call accounts	75	34	(41)
Cash deposits < 1yr	404	590	186
Cash deposits > 1yr	264	333	69
MMF	37	48	11
Corporate Bonds	75	65	(10)
Equities	360	456	96
CCLA property fund	250	300	50
	1,465	1,826	361

6. The actual return achieved was £361,000 or 24.6 per cent higher than the original budget. This was due to:

- The call accounts earned less interest than forecast because of rates reducing on our accounts.
- Interest earned on cash deposits was £255,000 higher than forecast due to an increase in interest rates achieved during the first part of the financial year.
- Dividend received on equities was £96,000 higher than forecast due to the overall increase in the value during the year. As our capital investment increases, the dividend earned goes up.
- Dividend earned on CCLA was £50,000 higher due to fluctuations in the price of units held. As our capital investment increases, the dividend earned goes up.



7. The actual average rate of return on treasury investments for the year was 1.55 per cent.

### Performance measurement

8. A list of treasury investments as at 31 March 2016 is shown in **appendix E**. All investments were with approved counterparties. The average level of investments held was £117 million. Table 3 below shows in summary the performance of the council's treasury investments against the benchmarks set out in the TMS. These benchmarks are used to assess and monitor the council's treasury investment performance for each type of investment.

Table 3: Treasury investment returns achieved against benchmark				
	Benchmark Return	Actual Return	Growth (Below)/above Benchmark	Benchmarks
Bank & Building Society deposits - internally managed	0.46%	1.06%	0.60%	3 Month LIBID
Equities	(7.33%)	(7.79%)	(0.46%)	FTSE All Shares Index
Property related investments	11.00%	11.30%	0.30%	IPD balanced property unit trust index
Corporate Bonds	0.50%	11.50%	11.00%	BoE base rate

\*source CCLA Local Authorities Property Fund Report March 2016

Note: the benchmark return for unit trusts and CCLA includes the movement in capital value. All other benchmarks reflect earnings of treasury investment income.

9. Returns on Bank and building society deposits (Call accounts, money market funds and fixed term deposits) are benchmarked against the three-month LIBID rate, which was an average of 0.46 per cent for 2015/16. The performance for the year of 1.06 per cent exceeded the benchmark by 0.60 per cent.
10. It remained difficult to place investments because of continued financial uncertainty. Some good rates were achieved which contributed to the increase in investment income during the year.
11. The CCLA property fund principal investment of £5 million (March 2013) increased in value during 2015/16 to £6.5 million. Dividends were received in the year totalling £300,000. Both the capital appreciation and the interest earned are included in the performance of 11.3% achieved above. The capital gain is however not realised and so for comparison purposes, the actual rate of return is interest as a factor of market value of holding being 4.6 per cent.

### Equities

12. The council's holdings with the Legal & General (L&G) UK 100 Index Trust were purchased in 2000/01 at an initial cost of £10 million. This is an authorised unit trust incorporated in the United Kingdom and regulated by the FSA. The trust's objective is to track the capital performance of the UK equity market as represented by the FTSE 100 index which represents 98-99 per cent of the UK market capitalisation

## Appendix C

13. The index shows the performance of all eligible companies listed on the London Stock Exchange main market and today covers 630 constituents with a combined value of nearly £1.8 trillion. It is recognised as the main benchmark for unit trusts.
14. Table 4 below shows the movement in capital value during the year of the holding of unit trusts as at 31 March 2015 so the decrease in value of this holding only, can be compared to the movement in the stock market as a whole for the year to 31 March 2016.

<b>Table 4: Unit Trusts - Movement in capital</b>		
	£	£
Market Value as at 31.3.16		12,774,260
Less:		
Dividends received in year	275,761	
Accrued dividends	180,000	
		(455,761)
Market value of Unit trusts which were held at 1.4.15 as at 31.3.16		12,318,499
Market value as at 1.4.15		13,359,340
Decrease in Market Value in year		(1,040,841)

15. The decrease above is compared to the performance of the stock market as a whole using the benchmarking in table 5 below. The funds underperformance of 0.46 per cent equates to £61,601 in real terms.

<b>Table 5: Unit Trust performance 1.4.15 - 31.3.16</b>	
Decrease in FTSE all share was	(7.33%)
Decrease in Market Value	(7.79%)
Under-performance	(0.46%)
	£
Market Value 1.4.15	13,359,340
Less 7.33% FTSE decrease	(979,240)
Benchmark Market Value at 31.3.16	12,380,100
Market Value (amended at 31.3.16)	12,318,499
<b>Under performance 1.4.15 to 31.3.16</b>	<b>(61,601)</b>

16. The performance of the fund over the past few years is summarised in table 5.1 below.

<b>Table 5.1 Unit Trust past performance</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
----------------------------------------------	----------------	----------------	----------------

Performance against FTSE all share % (Under)/Over	(0.92%)	(0.22%)	0.49%
Performance against FTSE all share £0 (Under)/Over	(122,746)	(30,492)	61,163

The justification for holding this investment is regularly reviewed.

17. Dividends received of £0.46 million were reinvested to acquire additional fund units.

### Corporate Bonds

18. The Council's corporate bonds are also accounted for in the financial statements at fair value. The opening carrying value for 1 April 2015 was £1.9 million. The closing carrying value at 31 March 2016 was £0.3 million as the RBS corporate bond matured and was disposed of during the year. The carrying values and market values for the corporate bonds are shown in table 6 below:

Table 6: Corporate bond values					
	Original cost	Nominal Value	Carrying Value as at 1.4.15	Carrying Value as at 1.4.16	Market value at 1.4.16
Bonds	£000	£000	£000	£000	£000
Santander 11.50%	422	270	299	287	287
RBS 9.625%	1,973	1,500	1,549	0	0
	2,395	1,770	1,848	287	287

19. The weighted average return on the Council's corporate bonds for 2015/16 was 11.50 per cent, this significantly exceeded the benchmark return of 0.5 per cent (Bank of England base rate).

20. The remaining corporate bond matures in 2017. Annual interest earned remains the same for the whole period a bond is held. Table 7 below shows the redemption yield of the bonds if held until the redemption date.

Table 7: corporate bond redemption yields if held to maturity								
Bank	Interest rate %	Original cost £000	Nominal value £000	Interest to date £000	Interest due £000	Redemption value £000	Redemption date	Redemption yield
Santander	11.50%	422	270	334	93	697	04/01/2017	5.59%

### Icelandic bank default – Kaupthing Singer & Friedlander

21. The Council invested £2.5 million in July 2007 with the failed Icelandic bank Kaupthing Singer and Friedlander Ltd (KSF). The Council has received

£2,203,691 to date in respect of the claim for £2.6 million (£2.5 million investment plus interest).

22. As a wholesale depositor, the Council is treated as an unsecured creditor in the administration process and ranks equally with all other unsecured creditors. The administrators intend to make further payments at regular intervals. The latest creditors' report now indicates that the estimated total amount to be recovered should be in the range of 84p to 86.5p in the pound. In total terms, this would mean receiving between £2,209,901 and £2,275,671.

### **Non-treasury investment loan**

23. During 2013/14, the council entered into a secured loan agreement with SOHA to enable them to finance affordable housing schemes. The Council lent £15 million over 20 years at a fixed rate of 4.15%. Interest is paid quarterly and during 2015/16, the council received £624,205.

### **Land and property**

24. The Council holds a portfolio of investment properties, which includes land, depots, garages, and shops that are let on a commercial basis. These assets had a net book value of £8.95 million at 31 March 2016 (£9.88 million at 31 March 2015) and generated income of £0.77 million in 2015/16 (£0.75 million in 2014/15) giving a gross rate of return of 8.65 per cent.
25. Due to movement in property values and the exclusion of whole life costs, these rates of return should not be taken as a direct comparison with the treasury rates.
26. The Economy, Leisure and Property (ELP) team manages investment property, ensuring that rent is collected and rent reviews are implemented. The performance of the investment property is assessed annually by ELP to determine if assets should be retained or disposed of and agree any actions to improve or enhance the value of the investment property holdings.

### **Liquidity and yield**

27. The council uses short-term investments to meet daily cash-flow requirements and aims to invest a proportion of the portfolio over longer dated cash deposits where possible.
28. The amount maintained for liquidity was £9 million, which is lower than the benchmark. The benchmark is to be reviewed as it may be set too high. Good rates were achieved on short dated investments and funds were placed on the market, rather than on call to increase yield.
29. The actual for the weighted average life of 307 days was within the range set of 0.5 years to 3 years but above the benchmark level of 182.5 days. The reason that the actual was above the benchmark is that during the year the council lent out some longer term investments to spread the investment portfolio and access better returns – like many others, the council is struggling to achieve suitable investment returns in the short to medium term investment market.
30. The year-end position against the original benchmarks approved in February 2015 is shown below:

<b>Table 9: Risk-liquidity against benchmark</b>		
	<b>2015/16 Benchmark £m</b>	<b>2015/16 Actual £m</b>
Bank overdraft*	0	0
Short term deposits - minimum available within 1 week	10	9
	<b>2015/16 Benchmark</b>	<b>2015/16 Actual</b>
Weighted average life (days)	182.5	307.0

\*Since 1 April 2014, following the re-tender process for the bank contract, the council no longer has an agreed overdraft facility.

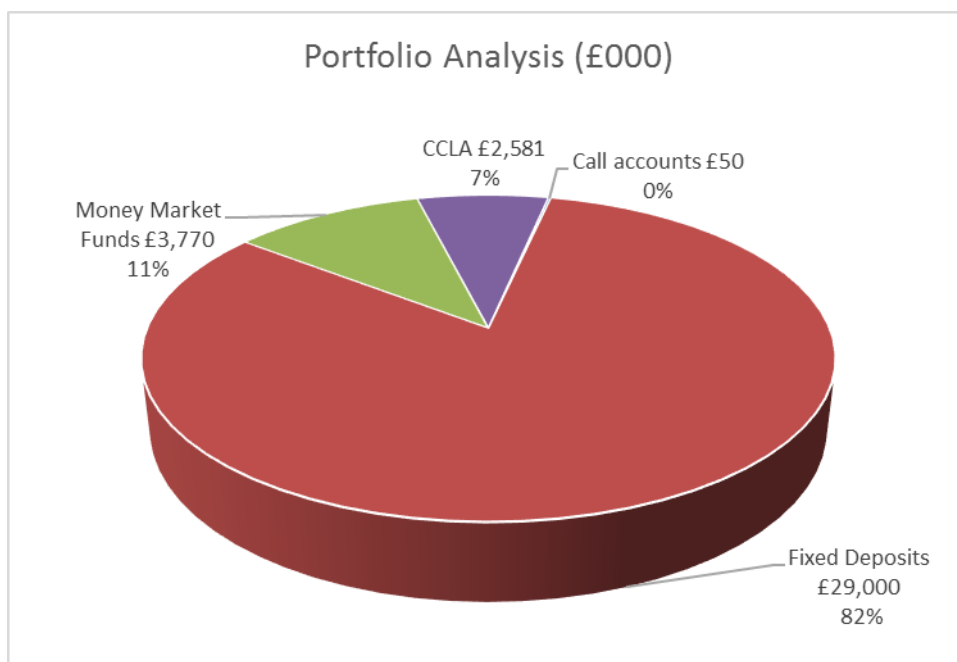
**VWHDC detailed treasury performance in 2015/16**

**Council treasury investments as at 31 March 2016**

1. The council’s treasury investments analysed by age as at 31 March 2016 were as follows:

<b>Table 1: maturity structure of investments at 31 March 2016:</b>		
	<b>£000</b>	<b>% holding</b>
Call	50	0%
Money market fund	3,770	11%
<b>Cash available within 1 week</b>	<b>3,820</b>	<b>11%</b>
Up to 4 months	0	0%
5-6 months	5,000	14%
6 months to 1 year	18,000	51%
Over 1 year	6,000	17%
<b>Total cash deposits</b>	<b>32,820</b>	<b>93%</b>
CCLA Property Fund	2,581	7%
<b>Total investments</b>	<b>35,401</b>	<b>100%</b>

2. The majority of the funds invested are held in the form of fixed interest rate and term cash deposits. These provide some certainty over the investment return.
3. The investment profile is organised in order to ensure sufficient liquidity for revenue and capital activities, security of investments and to manage risks within all treasury management activities.
4. The chart below shows in percentage terms how the portfolio above is spread across investment types:



### Treasury investment income

5. The total interest earned on treasury investments during 2015/16 was £541,892 compared to the original budget estimate of £411,640 as shown in table 2 below:

Table 2: Investment interest earned by investment type			
Investment type	Annual Budget £000	Actual Interest £000	Variation £000
Call accounts	40	23	(17)
Cash deposits - less than 1 year	136	235	99
Cash deposits - greater than 1 year	104	116	12
MMFs	32	45	13
CCLA Property Fund	100	123	23
<b>Total Interest</b>	<b>412</b>	<b>542</b>	<b>130</b>

6. The actual return achieved was £130,000 or 31 per cent higher than the original budget. This was due to :
- The maturity period for investments was extended thereby attracting slightly higher rates.
  - Average balances throughout the year have remained higher than forecast.
7. The total actual average interest rate achieved for the year was 1.27 per cent.

### Performance measurement

8. A list of treasury investments as at 31 March 2016 is shown in **appendix E**. All investments were with approved counterparties. The average level of investments held was £42.8 million. Table 3 below shows in summary the performance of the council's treasury investments against the benchmarks set out in the TMS. These benchmarks are used to assess and monitor the council's treasury investment performance for each type of investment.

Table 3: Treasury investment returns achieved against benchmark				
	Benchmark return	Actual return	Growth (below)/above Benchmark	Benchmarks
Internally managed - Bank & Building Society deposits	0.46%	0.99%	0.53%	3 month LIBID
Property related funds (CCLA)*	11.00%	11.67%	0.67%	IPD balanced property unit trust index

\*Source: CCLA Local Authorities Property Fund Report March 2016

9. Returns on bank and building society deposits (internally managed cash deposits) are benchmarked against the 3-month LIBID rate, which was an average of 0.46 per cent for 2015/16. The performance for the year of 0.99 per cent exceeded the benchmark by 0.53 per cent.

## Appendix D

10. It remained difficult to place investments because of continued financial uncertainty. Some good rates were achieved which contributed to the increase in investment income during the year.
11. The CCLA property fund principal investment of £2 million (April 2013) increased in value during 2015/16 to £2.6 million. Dividends were received in the year totalling £124,944. Both the capital appreciation and the interest earned are included in the performance of 11.67% achieved above. The capital gain is however not realised and so for comparison purposes, the actual rate of return is interest as a factor of market value of holding being 4.84 per cent.

### Land and Property

12. The council holds a portfolio of investment properties, which includes land, offices and shops that are let on a commercial basis. These assets had a net book value of £8.21 million at 31 March 2016 (£20.6 million as at 31 March 2015) and generated income of £0.5 million (£1.3 million in 2014/15). This is equivalent to a gross return of 6.6 per cent.
13. Due to movement in property values and the exclusion of whole life costs, these rates of return should not be taken as a direct comparison with the treasury rates.
14. The reduction in the investment property holding between 31 March 2015 and 31 March 2016 includes one disposal (Emcor house) but also the re-classification of the property at Botley into other land and buildings due to the regenerative nature of the holding. This has had a significant impact on returns this year, as well as void periods for old abbey house.
15. The Economy, Leisure and Property (ELP) team manages investment property, ensuring that rent is collected and rent reviews are implemented. The performance of the investment property is assessed annually by ELP to determine if assets should be retained or disposed of and agree any actions to improve or enhance the value of the investment property holdings.

### Liquidity and yield

16. The council uses short-term investments to meet daily cash-flow requirements and has also aims to invest a proportion of the portfolio over longer dated cash deposits where possible.
17. The amount maintained for liquidity was £3.8 million and was above the benchmark. This was due to the better rates of return on MMFs compared with other short-term deposits making it more attractive to hold funds short.
18. The actual for the weighted average life of 431 days was above the range set. The reason that the actual was above the benchmark is that the council has previously let some long term investments with another local authority in order to spread the investment portfolio and access better returns.
19. The year-end position against the original benchmarks approved in February 2015 is shown below:

Table 11: Risk-liquidity against benchmark		
	2015/16	2015/16



## Appendix D

	<b>Benchmark</b>	<b>Actual</b>
	<b>£m</b>	<b>£m</b>
Bank overdraft	0	0
Short term deposits - minimum available within 1 week	0.5	3.8
	<b>2015/16</b>	<b>2015/16</b>
	<b>Benchmark</b>	<b>Actual</b>
Weighted average life (days)	360	431

## Appendix E

South Oxfordshire District Council treasury investments as at 31 March  
2016

Counterparty	Deposit Type	Maturity Date	Principal	Rate
Newcastle Building Society	Fixed	Apr-16	2,000,000	1.10%
National Counties Building Society	Fixed	Apr-16	2,000,000	0.96%
Newcastle Building Society	Fixed	May-16	2,000,000	1.10%
Skipton Building Society	Fixed	May-16	2,000,000	1.02%
Newcastle Building Society	Fixed	May-16	2,000,000	1.10%
Principality Building Society	Fixed	May-16	2,000,000	1.00%
Progressive Building Society	Fixed	Jun-16	2,000,000	1.00%
Progressive Building Society	Fixed	Jun-16	1,000,000	0.95%
West Bromwich Building Society	Fixed	Jun-16	3,000,000	1.01%
Skipton Building Society	Fixed	Jun-16	1,000,000	1.00%
Goldman Sachs International Bank	Fixed	Jun-16	2,000,000	1.00%
Skipton Building Society	Fixed	Jun-16	1,500,000	1.00%
West Bromwich Building Society	Fixed	Jul-16	4,000,000	1.05%
National Counties Building Society	Fixed	Jul-16	1,000,000	1.00%
Goldman Sachs International Bank	Fixed	Jul-16	2,000,000	1.00%
Progressive Building Society	Fixed	Jul-16	2,000,000	1.00%
West Bromwich Building Society	Fixed	Jul-16	1,000,000	1.00%
Goldman Sachs International Bank	Fixed	Jul-16	2,000,000	1.02%
Progressive Building Society	Fixed	Aug-16	2,000,000	0.98%
Newcastle Building Society	Fixed	Aug-16	2,000,000	1.10%
Newcastle Building Society	Fixed	Sep-16	2,000,000	1.10%
Close Brothers	Fixed	Dec-16	3,000,000	1.05%
National Counties Building Society	Fixed	Dec-16	1,500,000	0.95%
National Counties Building Society	Fixed	Dec-16	2,000,000	0.95%
Progressive Building Society	Fixed	Dec-16	1,000,000	0.90%
Progressive Building Society	Fixed	Jan-17	2,000,000	0.90%
Skipton Building Society	Fixed	Mar-17	3,000,000	1.02%
Principality Building Society	Fixed	Mar-17	2,000,000	1.05%
Close Brothers	Fixed	Mar-17	2,000,000	1.40%
Blaenau Gwent County Borough Council	Fixed	Apr-16	3,000,000	1.38%
HSBC	Fixed	Feb-17	2,000,000	1.90%
Close Brothers	Fixed	Apr-17	2,000,000	1.41%
Close Brothers	Fixed	Nov-17	3,000,000	1.60%
Royal Bank of Scotland	Fixed	Jan-18	2,000,000	1.50%
Royal Bank of Scotland	Fixed	Feb-19	2,000,000	1.20%
Kingston upon Hull City Council	Fixed	Aug-20	3,500,000	2.70%
Kingston upon Hull City Council	Fixed	Aug-20	1,500,000	2.70%
Kingston upon Hull City Council	Fixed	Jan-21	2,000,000	2.50%
Santander	Call		4,105,465	0.40%
Royal Bank of Scotland	Call		2,335	0.25%
Royal Bank of Scotland	Call		95,643	0.25%
Goldman Sachs	MMF		2,310,000	Variable
Deutsche Bank	MMF		1,815,000	Variable
Blackrock	MMF		690,000	Variable
L&G Equities	Unit trust		12,774,260	Variable
Santander	Corporate bond		295,461	11.50%
CCLA - property fund	Property fund		5,000,000	4.85%
<b>GRAND TOTAL</b>			<b>105,088,164</b>	

## Appendix E

Vale of White Horse District Council treasury investments as at 31 March 2016

Counterparty	Deposit Type	Maturity Date	Principal	Rate
Hull City Council	Fixed	Jan-21	2,000,000	2.50%
Hull City Council	Fixed	Aug-20	2,000,000	2.70%
Close Brothers Ltd	Fixed	Nov-17	2,000,000	1.60%
Lloyds Bank	Fixed	Mar-17	6,000,000	1.05%
West Bromwich Building Society	Fixed	Mar-17	2,000,000	1.05%
Principality Building Society	Fixed	Jan-17	2,000,000	1.05%
Principality Building Society	Fixed	Dec-16	2,000,000	0.93%
Newcastle Building Society	Fixed	Dec-16	1,000,000	1.02%
National counties Building Society	Fixed	Nov-16	1,000,000	0.90%
National Counties Building Society	Fixed	Nov-16	2,000,000	1.00%
Skipton Building Society	Fixed	Oct-16	2,000,000	1.02%
Close Brothers Ltd	Fixed	Sep-16	2,000,000	1.07%
West Bromwich Building Society	Fixed	Sep-16	2,000,000	1.05%
Saffron Building Society	Fixed	Aug-16	1,000,000	0.75%
Santander	Call		50,000	0.40%
Goldman Sachs	MMF		1,770,000	0.44%
LGIM	MMF		2,000,000	0.46%
CCLA	Property fund		2,000,000	4.65%
<b>GRAND TOTAL</b>			<b>34,820,000</b>	

Note – these do not reconcile to table 1 figures seen in appendix c and d as these are original investment levels whereas the values in table 1 are the fair values of investments held.

## GLOSSARY OF TERMS

<b>Basis point (BP)</b>	1/100th of 1%, i.e. 0.01%
<b>Base rate</b>	Minimum lending rate of a bank or financial institution in the UK.
<b>Benchmark</b>	A measure against which the investment policy or performance of a fund manager can be compared.
<b>Bill of Exchange</b>	A non-interest-bearing written order used primarily in international trade that binds one party to pay a fixed sum of money to another party at a predetermined future date.
<b>Callable Deposit</b>	A deposit placed with a bank or building society at a set rate for a set amount of time. However, the borrower has the right to repay the funds on pre agreed dates, before maturity. This decision is based on how market rates have moved since the deal was agreed. If rates have fallen the likelihood of the deposit being repaid rises, as cheaper money can be found by the borrower.
<b>[Cash] Fund Management</b>	Fund management is the management of an investment portfolio of cash on behalf of a private client or an institution, the receipts and distribution of dividends and interest, and all other administrative work in connection with the portfolio.
<b>Certificate of Deposit (CD)</b>	Evidence of a deposit with a specified bank or building society repayable on a fixed date. They are negotiable instruments and have a secondary market; therefore the holder of a CD is able to sell it to a third party before the maturity of the CD.
<b>Commercial Paper</b>	Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations and other borrowers. Such instruments are unsecured and usually discounted, although some may be interest bearing.
<b>Corporate Bond</b>	Strictly speaking, corporate bonds are those issued by companies. However, the term is used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
<b>Counterparty</b>	Another (or the other) party to an agreement or other market contract (e.g. lender/borrower/writer of a swap/etc.)
<b>Credit Default Swap (CDS)</b>	A swap designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap.

<b>Capital Financing Requirement (CFR)</b>	The amount the council has to borrow to fund its capital commitments.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy.
<b>CLG</b>	[Department for] Communities and Local Government.
<b>Derivative</b>	A contract whose value is based on the performance of an underlying financial asset, index or other investment, e.g. an option is a derivative because its value changes in relation to the performance of an underlying stock.
<b>Debt Management Account Deposit Facility (DMADF)</b>	Deposit Account offered by the Debt Management Office, guaranteed by the UK government
<b>European Central Bank (ECB)</b>	European Central Bank – sets the central interest rates in the EMU area. The ECB determines the targets itself for its interest rate setting policy; this is to keep inflation within a band of 0 to 2%. It does not accept that monetary policy is to be used to manage fluctuations in unemployment and growth caused by the business cycle.
<b>European and Monetary Union (EMU)</b>	The Economic and Monetary Union (EMU) is an umbrella term for the group of policies aimed at converging the economies of all member states of the European Union.
<b>Equity</b>	A share in a company with limited liability. It generally enables the holder to share in the profitability of the company through dividend payments and capital appreciation. Equity values can decrease as well as increase.
<b>Forward Deal</b>	The act of agreeing today to deposit funds with an institution for an agreed time limit, on an agreed future date, at an agreed rate.
<b>Forward Deposits</b>	Same as forward dealing (above).
<b>Fiscal Policy</b>	The government policy on taxation and welfare payments.
<b>GDP</b>	Gross Domestic Product.
<b>[UK] Gilt</b>	Registered UK government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent.
<b>LIBID</b>	London inter-bank bid rate
<b>LIBOR</b>	London inter-bank offered rate.

<b>Money Market Fund</b>	A well rated, highly diversified pooled investment vehicle whose assets mainly comprise of short-term instruments. It is very similar to a unit trust, however in a MMF.
<b>Monetary Policy Committee (MPC)</b>	Government body that sets the bank rate (commonly referred to as being base rate). Their primary target is to keep inflation within plus or minus 1% of a central target of 2.5% in two years time from the date of the monthly meeting of the committee. Their secondary target is to support the government in maintaining high and stable levels of growth and employment.
<b>Other Bond Funds</b>	Pooled funds investing in a wide range of bonds.
<b>PWLB</b>	Public Works Loan Board.
<b>QE</b>	Quantitative Easing.
<b>Retail Price Index</b>	Measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person.
<b>Sovereign Issues (excl UK Gilts)</b>	Bonds issued or guaranteed by nation states, but excluding UK government bonds.
<b>Supranational Bonds</b>	Bonds issued by supranational bodies, e.g. European Investment Bank. The bonds – also known as Multilateral Development Bank bonds – are generally AAA rated and behave similarly to gilts, but pay a higher yield (“spread”) given their relative illiquidity when compared with gilts.
<b>Treasury Bill</b>	Treasury bills are short-term debt instruments issued by the UK or other governments. They provide a return to the investor by virtue of being issued at a discount to their final redemption value.