2016/17 Treasury Management Activity Report

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Purpose of Report

1. To review the treasury management activity and the performance against the Prudential Indicators for the 2016/17 financial year as prescribed by the revised CIPFA Code of Practice and in accordance with the Council's Treasury Strategy, Annual Investment Policy and Treasury Management Practices.

Recommendations

2. The Audit Committee are asked to:
   - Note the treasury management activity for the 2016/17 financial year;
   - Note the position of the individual prudential indicators for the 2016/17 financial year;
   - Note the outlook for the investment performance in 2017/18
   - Recommend the 2016/17 Treasury Management Activity Report to full Council

Background

3. The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. The Council reports six monthly to Full Council against the strategy approved for the year. The scrutiny of treasury management policy, strategy and activity is delegated to the Audit Committee.

4. Treasury management in this context is defined as:

   "The management of the local authority's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks".

5. The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

6. Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.

External Context (provided by Arlingclose)

Economic background:

7. Politically, 2016/17 was an extraordinary twelve month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45th President of the USA. Uncertainty over the outcome of the US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the

year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29th March 2017.

8. UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year/year in April 2016 to 2.3% year/year in March 2017.

9. In addition to the political fallout, the referendum's outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee (MPC) to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases as well as provide cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy.

10. Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016. The labour market also proved resilient, with the ILO unemployment rate dropping to 4.7% in February, its lowest level in 11 years.

11. Following a strengthening labour market, in moves that were largely anticipated, the US Federal Reserve increased rates at its meetings in December

Financial markets:

12. Following the referendum result, gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. After September there was a reversal in longer-dated gilt yields which moved higher, largely due to the MPC revising its earlier forecast that Bank Rate would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, almost back at pre-referendum levels of 1.37% on 23rd June. 20- and 50-year gilt yields also rose in Q3 2017 to 1.76% and 1.70% respectively, however in Q4 yields remained flat at around 1.62% and 1.58% respectively.

13. After recovering from an initial sharp drop in Q2, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7342 and 3996 respectively on 31st March, both up 18% over the year. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March.

14. Money market rates for overnight and one week periods remained low since Bank Rate was cut in August. 1- and 3-month LIBID rates averaged 0.36% and 0.47% respectively during 2016-17. Rates for 6- and 12-months increased between August and November, only to gradually fall back to August levels in March, they averaged 0.6% and 0.79% respectively during 2016-17.

Credit background:

15. Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune, although the fall in their share prices was less pronounced.

16. Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome.

17. None of the banks on the Authority's lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios, although Royal Bank of Scotland was one of the weaker banks in both tests. The tests were based on banks' financials as at 31st December 2015, 11 months out of date for most. As part of its creditworthiness research and advice, the Authority's treasury advisor Arlingclose regularly undertakes analysis of relevant ratios - "total loss absorbing capacity" (TLAC) or "minimum requirement for eligible liabilities" (MREL) - to determine whether there would be a bail-in of senior investors, such as local authority unsecured investments, in a stressed scenario.

18. On the advice of Arlingclose, new investments with Deutsche Bank and Standard Chartered Bank were suspended in March 2016 due to the banks' relatively higher credit default swap (CDS) levels and disappointing 2015 financial results. Standard Chartered was reintroduced to the counterparty list in March 2017 following its strengthening financial position, but Deutsche Bank was removed altogether from the list.

19. In July, following a review of unrated building societies' annual financial statements, Cumberland, Harpenden and Vernon building societies were removed from the Authority's list due to a deterioration in credit indicators. The maximum advised maturity was also lowered for eleven other societies from 6 months to 100 days due to the uncertainty facing the UK housing market following the EU referendum.

Investment Activity

20. The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2016/17, the Authority's investment balance ranged between £48.931 and £75.060 million due to timing differences between income and expenditure.

21. Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

22. The Authority's best performing investments in 2016/17 were its £5m of externally managed pooled property funds. This generated income of £209,091 averaging 5.08% used to support services in the year. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives is regularly

reviewed. In light of their strong performance and the Authority's latest cash flow forecasts, investment in these funds has been maintained for the 2017/18 financial year.

Interest Rates 2016/17

23. Base rate began the financial year at 0.5% but this was reduced to 0.25% in August.

24. Globally, the outlook is uncertain and risks remain weighted to the downside. The UK domestic outlook is uncertain, but likely to be weaker in the short/medium term than previously expected.

25. The Arlingclose central case is for Bank Rate to remain at 0.25%, but there is a low possibility of a drop to close to zero.

	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.15
Arlingclose Central Case	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Downside risk	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.23

Investment Portfolio

26. The table below shows the Council's portfolio of investments at the start and end of the 2016/17 financial year;

	Value of Investments at 01.04.16 £	**Value of Investments at 31.03.17 £**	**Fixed/ Variable Rate**
Investments advised by Arlingclose			
Money Market Fund (Variable Net Asset Value)	997,565	1,004,326	Variable
Property Fund	4,494,168	5,349,196	Variable
Total	**5,491,733**	**6,353,522**	
Internal Investments			
Certificates of Deposit	5,513,212	4,020,207	Fixed
Corporate Bonds	6,706,395	8,693,672	Fixed
Floating Rate Notes (FRNs)	10,025,398	10,018,545	Variable
Long Term Deposits (Other LAs)	0	3,000,000	Fixed
Short Term Deposits (Banks)	9,000,000	6,000,000	Variable
Short Term Deposits (Other LAs)	11,000,000	14,000,000	Variable
Money Market Funds (Constant Net Asset Value) & Business Reserve Accounts	1,490,000	1,000,000	Variable
Total	**43,735,005**	**46,732,424**	
TOTAL INVESTMENTS	**49,226,738**	**53,085,946**	

Returns for 2016/17

27. The returns to 31st March 2017 are shown in the table below:

		Actual Income £'000	% Rate of Return
Investments advised by Arlingclose			
	Payden Money Market Fund (VNAV)	8	
	Property Fund (CCLA)	209	
	Total	**217**	**4.26%**
Internal Investments			
	Certificates of Deposit (CD's)	51	
	Corporate Bonds	90	
	Floating Rate Notes (FRNs)	62	
	Fixed Term Deposits	158	
	Money Market Funds (CNAV) & Business Reserve Accounts	22	
	Total	**383**	**0.80%**
Other Interest			
	Miscellaneous Loans	29	
	Total	**29**	
TOTAL INCOME TO 31st MARCH 2017		**629**	**1.54%**
BUDGETED INCOME		**496**	
SURPLUS		**133**	

28. The table above shows investment income for the year compared to the budget. The figures show a surplus over budget of £133,000. The original Treasury Management budget of £496,020 was derived by forecasting an average rate of return of 0.89% based on an average investment portfolio of £55.6m.

29. We currently hold £5m nominal value in the CCLA fund, this converts to 1,884,515 units and £1m in Payden which converts to 98,990.299 shares.

30. The outturn position is affected by both the amount of cash we have available to invest and the interest base rate set by the Bank of England. Balances are affected by the timing of revenue and capital expenditure and the collection of council tax and business rates.

Investments

31. Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2016/17.

32. The graph shown in appendix A shows the performance of the in-house Treasury team in respect of all investments for the quarter ending 31st March 2017 in comparison to all other clients of Arlingclose.

33. The graph shows that SSDC is in a very good position in terms of the risk taken against the return on investments.

Borrowing

34. An actual overall borrowing requirement (Capital Financing Requirement (CFR)) of £9.3 million was identified at the beginning of 2016/17. As interest rates on borrowing exceed those on investments the Council has used its capital receipts to fund capital expenditure. As at 31st March 2017 the Council had no external borrowing, with the borrowing requirement being financed using cash held in balances and reserves thus avoiding the need to take on physical debt..

Breakdown of investments as at 31ST March 2017

Date Lent	Counterparty	Nominal Amount	Rate %	Maturity Date
8 Mar 17	United Overseas Bank Ltd	2,000,000	0.55	7 Mar 18
28 Feb 17	Bank of Scotland	1,000,000	0.90	28 Feb 18
13 Dec 16	North Tyneside Council	2,000,000	0.48	12 Dec 17
24 Mar 17	Bank of Scotland	1,000,000	0.80	23 Mar 18
8 Feb 17	Santander	1,000,000	0.70	8 Aug 17
11 Nov 16	Northumberland County Council	1,000,000	1.00	11 Nov 20
31 Jan 17	Plymouth City Council	2,000,000	0.30	21 Apr 17
9 Feb 17	Liverpool City Council	2,000,000	0.92	11 Nov 19
30 Jan 17	Santander	1,000,000	0.70	28 Jul 17
7 Feb 17	Telford & Wrekin Council	3,000,000	0.40	7 Jun 17
28 Feb 17	Monmouthshire County Council	1,000,000	0.50	27 Feb 18
1 Mar 17	Salford City Council	2,000,000	0.42	1 Sep 17
15 Mar 17	Leeds City Council	2,000,000	0.35	15 Jun 17
30 Mar 17	Central Bedfordshire Council	2,000,000	0.38	23 May 17
	Certificates of Deposits			
03 May 16	Bank of Montreal	500,000	0.83	2 May 17
05 May 16	Toronto Dominion	1,000,000	0.91	4 May 17
16 Aug 16	Toronto Dominion	1,000,000	0.55	16 May 17
11 Oct 16	Canadian Imperial Bank of Commerce	1,000,000	0.53	10 Oct 17
18 Oct 16	Canadian Imperial Bank of Commerce	500,000	0.61	18 Oct 17
	Corporate Bonds			
4 Aug 16	Leeds Building Society *Covered*	500,000	2.13	17 Dec 18
22 Oct 16	Yorkshire Building Society *Covered*	1,500,000	1.56	12 Apr 18
18 Aug 16	Svenska Handelsbanken	1,000,000	0.60	29 Aug 17
20 Oct 16	Santander UK Plc *Covered*	1,000,000	1.04	14 Apr 21
20 Oct 16	Coventry Building Society *Covered*	500,000	0.62	19 Apr 18
17 Nov 16	BMW Finance	1,000,000	0.63	2 Oct 17
25 Nov 16	Daimler AG	1,000,000	0.72	1 Dec 17
10 Nov 16	National Australia Bank *Covered*	1,000,000	1.10	10 Nov 21
27 Mar 17	Cooperative Rabobank	675,000	0.52	1 Nov 17
	Floating Rate Notes (FRN's)			
22 Oct 14	Abbey National Treasury Services *Covered*	1,000,000	0.72	5 Apr 17
21 Nov 14	Barclays Bank Plc *Covered*	1,000,000	0.68	15 Sep 17
29 Apr 15	Toronto Dominion *Covered*	1,000,000	0.66	20 Nov 17
26 Jun 15	Nationwide Building Society *Covered*	1,000,000	0.68	17 Jul 17
7 Mar 16	Commonwealth Bank of Australia *Covered*	1,000,000	0.87	24 Jan 18
16 May 16	Bank of Nova Scotia *Covered*	1,000,000	0.82	2 Nov 17
23 Sep 16	Barclays Bank Plc *Covered*	2,000,000	0.47	15 Sep 17
16 Jan 17	Lloyds Bank Plc *Covered*	1,600,000	0.63	16 Jan 20
16 Jan 17	Lloyds Bank Plc *Covered*	400,000	0.62	16 Jan 20
	Pooled Funds & Money Market Funds			
	Federated	500,000	0.40	
	Invesco Aim	500,000	0.36	
	Payden Fund VNAV	1,000,000	0.82	
	CCLA Property Fund	5,000,000	5.08	
	TOTAL	**52,175,000**		

*Note: Money Market Funds are instant access accounts so the rate displayed is a daily rate. *Covered* bonds are investments that are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in*

Prudential Indicators – 2016/17

Background:

35. In February 2016, Full Council approved the indicators for 2016/17, as required by the Prudential Code for Capital Finance in Local Authorities. The Local Government Act 2003 allows local authorities to determine their own borrowing limits provided they are affordable and that every local authority complies with the Code.

Prudential Indicator 1 - Capital Expenditure:

36. The actual capital expenditure incurred for 2016/17 compared to the revised estimate was:

	2015/16 Outturn £'000	2016/17 Original Estimate £'000	2016/17 Outturn £'000	2016/17 Variance £'000	Reason for Variance
Approved capital schemes	2,084	7,382	6,187	(1,195)	The variance against the original estimate is due to the reduction in loan to the SWP of £203k and re-profiling of spend to future years within the rest of the programme.
Total Expenditure	**2,084**	**7,382**	**6,187**	**(1,195)**	

Prudential Indicator 2 - Ratio of Financing Costs to Net Revenue Stream:

37. A comparison needs to be made between financing capital costs and the revenue income stream to support these costs. This shows how much of the revenue budget is committed to the servicing of finance.

Portfolio	2015/16 Outturn £'000	2016/17 Revised Estimate £'000	2016/17 Outturn £'000	2016/17 Variance £'000	Reason for Variance
Financing Costs	(424)	(489)	(512)	(23)	Additional investment income from the Property Fund (CCLA)
Net Revenue Stream	17,782	16,904	17,782	878	The original estimate was picked up from an early report of the MTFS which was subsequently changed. The actual budget approved at Full Council was £17,291. The increase is due to carry forwards
%*	**(2.4)**	**(2.9)**	**(2.9)**		

*figures in brackets denote income through receipts and reserves

38. The financing costs include interest payable and notional amounts set aside to repay debt less interest on investment income. The figure in brackets is due to investment income outweighing financing costs significantly for SSDC but is nevertheless relevant since it shows the extent to which the Council is dependent on investment income.

Prudential Indicator 3 - Capital Financing Requirement:

39. The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The year-end capital financing requirement for the council is shown below:

	2015/16 Outturn £'000	**2016/17 Original Estimate £'000**	**2016/17 Outturn £'000**	**2016/17 Variance £'000**	**Reason for Variance**
Opening CFR	9,447	9,299	9,343	43	
Capital Expenditure	3,227	8,067	8,675	608	See explanation for Prudential Indicator 1 above
Capital Receipts*	(2,084)	(7,382)	(6,187)	1,195	
Grants/Contributions*	(1,143)	(685)	(2,488)	(1,803)	
Minimum Revenue Position (MRP)	(170)	(87)	(113)	(26)	
Additional Leases taken on during the year	66	0	109	109	Additional leases taken out for vehicles at the beginning of 2016/17
Closing CFR	**9,343**	**9,212**	**9,339**	**127**	

*Figures in brackets denote income through receipts or reserves.

Prudential Indicator 4 – Gross Debt and the Capital Financing Requirement:

40. The Council is also required to ensure that any medium term borrowing is only used to finance capital and therefore it has to demonstrate that the net external borrowing does not, except in the short term, exceed the total of capital financing requirements over a three year period.

	2015/16 Outturn £'000	**2016/17 Revised Estimate £'000**	**2016/17 Outturn £'000**	**2016/17 Variance £'000**	**Reason for Variance**
Borrowing	0	0	0	0	
Finance Leases	230	99	227	128	Additional finance leases taken out on vehicles at the end of 2015/16 and the beginning of 2016/17 before a decision was made to fund future purchase of vehicles through the use of internal receipts
Total Debt	**230**	**99**	**227**	**128**	

41. Total debt is expected to remain below the CFR for the foreseeable future.

Prudential Indicator 5 - Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

42. The Council must set three years of upper limits to its exposure to the effects of changes in interest rates. As a safeguard, it must ensure that its limit would allow it to have up to

100% invested in variable rate investments to cover against market fluctuations. For this purpose, term deposits of less than 365 days are deemed to be variable rate deposits. Fixed rate deposits are investments in Eurobonds, Corporate Bonds and term deposits exceeding 365 days.

	2015/16 Actual %	**2016/17 % Limit**	**2016/17 Actual %**	**2016/17 Variance %**	**Reason for Variance**
Fixed	4.14	80	14.37	(65.63)	Within limit
Variable	95.86	100	85.63	(14.37)	Within limit

43. The Council must also set limits to reflect any borrowing we may undertake.

	2015/16 Actual %	**2016/17 % Limit**	**2016/17 Actual %**	**2016/17 Variance %**	**Reason for Variance**
Fixed	0	100	0	100	SSDC currently has no external borrowing
Variable	0	100	0	100	SSDC currently has no external borrowing

44. The indicator has been set at 100% to maximise opportunities for future debt as they arise.

Prudential Indicator 6 - Upper Limit for total principal sums invested over 364 days:

45. SSDC must also set upper limits for any investments of longer than 364 days. The purpose of this indicator is to ensure that SSDC, at any time, has sufficient liquidity to meet all of its financial commitments.

Upper Limit for total principal sums invested over 364 days	**2015/16 Actual (Principal amount) £'000**	**2016/17 Maximum Limit £'000**	**2016/17 Actual (Principal amount) £'000**	**Variance £'000**	**Reason for Variance**
Between 1-2 years	5,000	25,000	2,500	(20,000)	Within limit
Between 2-3 years	2,000	20,000	4,000	(18,000)	Within limit
Between 3-4 years	0	10,000	1,000	(10,000)	Within limit
Between 4-5 years	0	10,000	2,000	(10,000)	Within limit
Over 5 years	0	5,000	0	(5,000)	Within limit

46. The table above shows that the Council adopts a policy of safeguarding its investments by minimising investments that are redeemable more than five years ahead.

Prudential Indicator 7 – Credit Risk:

47. The Council considers security, liquidity and yield, in that order, when making investment decisions.

    Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

    The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution and its sovereign
- Sovereign support mechanisms
- Credit default swaps (where quoted)
- Share prices (where available)
- Economic Fundamentals, such as a country's net debt as a percentage of its GDP
- Corporate developments, news articles, markets sentiment and momentum
- Subjective overlay

The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

Prudential Indicator 8 - Actual External Debt:

48. This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities (this represents our finance leases). This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2017	**£'000**
Borrowing	0
Other Long-term Liabilities (Finance Leases)	227
Total	**227**

Prudential Indicator 9 - Authorised Limit for External Debt:

49. This limit represents the maximum amount that SSDC may borrow at any point in time during the year. If this limit is exceeded the Council will have acted ultra vires. It also gives the Council the responsibility for limiting spend over and above the agreed capital programme. A ceiling of £12 million was set for each year.

	2015/16 Actual £'000	**2016/17 Original Estimate £'000**	**2016/17 Actual £'000**	**2016/17 Variance £'000**	**Reason for Variance**
Borrowing	0	11,000	0	(11,000)	SSDC currently has no borrowing
Other Long-term Liabilities	230	1,000	227	(773)	Within limit
Total	**230**	**12,000**	**227**	**(11,773)**	

Prudential Indicator 10 – Operational Boundary for External Debt:

50. The operational boundary sets the limit for short term borrowing requirements for cash flow and has to be lower than the previous indicator, the authorised limit for external debt. A ceiling of £10 million for each of the next three years was set.

	2015/16 Actual £'000	**2016/17 Original Estimate £'000**	**2016/17 Actual £'000**	**2016/17 Variance £'000**	**Reason for Variance**
Borrowing	0	11,000	0	(11,000)	SSDC currently has no borrowing
Other Long-term Liabilities	230	1,000	227	(773)	Within limit
Total	**230**	**12,000**	**227**	**(11,773)**	

Prudential Indicator 11 - Maturity Structure of Fixed Rate borrowing:

51. This indicator is relevant when we borrow, then we can take a portfolio approach to borrowing in order to reduce interest rate risk. This indicator is shown as the Council has set limits in anticipation of future borrowing.

Maturity structure of fixed rate borrowing	**2016/17 Upper Limit %**	**2016/17 Lower Limit %**	**2016/17 Actual %**	**2015/16 Variance %**
Under 12 months	100	0	0	Not applicable
12 months and within 24 months	100	0	0	Not applicable
24 months and within 5 years	100	0	0	Not applicable
5 years and within 10 years	100	0	0	Not applicable
10 years and within 20 years	100	0	0	Not applicable
20 years and within 30 years	100	0	0	Not applicable
30 years and within 40 years	100	0	0	Not applicable
40 years and within 50 years	100	0	0	Not applicable
50 years and above	100	0	0	Not applicable

Prudential Indicator 12 - Incremental Impact of Capital Investment Decisions:

52. SSDC must show the effect of its annual capital decisions for new capital schemes on the council taxpayer. Capital spend at SSDC is financed from additional receipts so the figure below actually shows the possible decreases in council tax if all capital receipts were invested rather than used for capital expenditure.

Incremental Impact of Capital Investment Decisions	**2015/16 Actual £**	**2016/17 Actual £**
Decrease in Band D Council Tax	0.07	0.12

Prudential Indicator 13 - Adoption of the CIPFA Treasury Management Code:

53. This indicator demonstrates that the Council has adopted the principles of best practice.

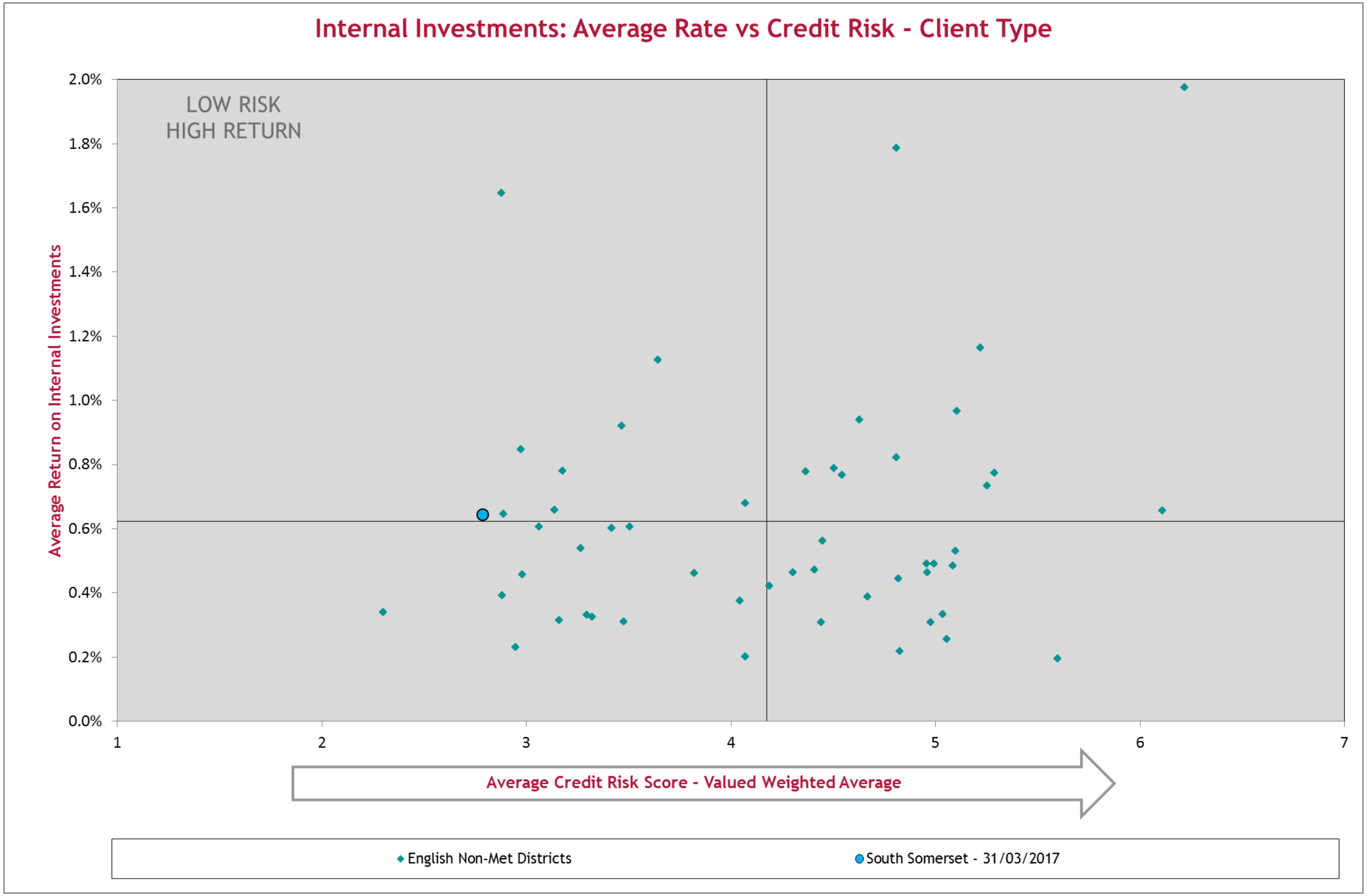
Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 18th April 2002.

Conclusion

54. The council operated within all of the Prudential Indicators during 2016/17.

Background Papers: Prudential Indicators Working Paper, Treasury Management Strategy Statement 2016/17, Capital Outturn 2016/17.

Appendix A


Internal Investments: Average Rate vs Credit Risk - Client Type
LOW RISK
HIGH RETURN
Average Return on Internal Investments
2.0%
1.8%
1.6%
1.4%
1.2%
1.0%
0.8%
0.6%
0.4%
0.2%
0.0%
1
2
3
4
5
6
7
Average Credit Risk Score - Valued Weighted Average
English Non-Met Districts
South Somerset - 31/03/2017