2017/18 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 2017/18 financial year as prescribed by the revised CIPFA Code of Practice and in accordance with the Council's Treasury Strategy and Annual Investment Policy and Treasury Management Practices. This report was considered by the Audit Committee on 28th June 2018.

Recommendations

2. The Council is requested to:
   - Note the Treasury Management Activity for the 2017/18 financial year;
   - Note the position of the individual prudential indicators for the 2017/18 financial year;
   - Note the outlook for the investment performance in 2018/19
   - Note the council operated within all of the Prudential Indicators during 2017/18.

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. 2017/18 was characterised by the push-pull from expectations of tapering of Quantitative Easing (QE) and the potential for increased policy rates in the US and Europe and from geopolitical tensions, which also had an impact.

8. The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.8% in calendar 2017, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.

9. The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November before falling back to 2.7% in February 2018. Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018.

10. The inherent weakness in UK business investment was not helped by political uncertainty following the surprise General Election in June and by the lack of clarity on Brexit, the UK and the EU only reaching an agreement in March 2018 on a transition which will now be span Q2 2019 to Q4 2020. The Withdrawal Treaty is yet to be ratified by the UK parliament and those of the other 27 EU member states and new international trading arrangements are yet to be negotiated and agreed.

11. The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first rate hike in ten years, although in essence the MPC reversed its August 2016 cut following the referendum result.

12. The February Inflation Report indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening. Although in March two MPC members voted to increase policy rates immediately and the MPC itself stopped short of committing itself to the timing of the next increase in rates, the minutes of the meeting suggested that an increase in May 2018 was highly likely.

13. In contrast, economic activity in the Eurozone gained momentum and although the European Central Bank removed reference to an 'easing bias' in its market communications and had yet to confirm its QE intention when asset purchases end in September 2018, the central bank appeared some way off normalising interest rates.

14. The US economy grew steadily and, with its policy objectives of price stability and maximising employment remaining on track, the Federal Reserve Open Market Committee (FOMC) increased interest rates in December 2017 by 0.25% and again in March, raising the policy rate target range to 1.50% - 1.75%. The Fed is expected to deliver two more increases in 2018 and a further two in 2019.

15. Additional commentary from Arlingclose on financial markets, credit background, money market fund regulation, credit rating developments, MiFIDII and other developments is provided in Appendix B to this report.

Local Authority Regulatory Changes

16. CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The required changes from the 2011 Code are being incorporated into Treasury Management strategies and monitoring reports.

17. The 2017 Prudential Code introduces the requirement for a Capital Strategy which provides a high-level overview of the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Where this strategy is produced and approved by full Council, the determination of the Treasury Management Strategy can be delegated to a committee. The Code also expands on the process and governance issues of capital expenditure and investment decisions.

18. Appendix D to the report on the Practical Implications of the Revised Prudential Code, Treasury Management Code, Local Authority Investments and Minimum Revenue Provision includes details of the requirements of a Capital Strategy.

19. The Council has not prepared the Capital Strategy to date, which is permitted due to the timing of the release of the updated Code and recognises that authorities have prepared their treasury strategies for the 2018/19 financial year. A report on the regulatory changes including the Capital Strategy is included on the agenda for this meeting. The report includes details of the requirements of the Capital Strategy and an action plan for the production of the strategy.

20. The target date for the preparation of a new Capital Strategy included in the action plan is February 2019. The strategy will be updated annually alongside the Budget and Treasury Strategy and will incorporate relevant quantitative indicators that allow Councillors and the public to assess the Council's total risk exposure as a result of its investment decisions.

21. The updated 2017 Treasury Management Code revised the definition of 'investments', which has been widened to include financial assets and non-financial assets held primarily for financial returns such as investment property. These, along with other investments made for non-treasury management purposes such as loans supporting service outcomes and investments in subsidiaries, must be discussed in the Capital Strategy or Investment Strategy. Additional risks of such investments are to be set out clearly and the impact on financial sustainability is be identified and reported.

    In February 2018 the MHCLG (Ministry of Housing, Communities and Local Government) published revised Statutory Guidance on Local Government Investments and Statutory Guidance on Minimum Revenue Provision (MRP). Changes to the Investment Guidance include a wider definition of investments to include non-financial assets held primarily for generating income return and a new category called "loans" (e.g. temporary transfer of cash to a third party, joint venture, subsidiary or associate).

22. The Guidance introduces the concept of proportionality, sharpens the definition of "borrowing in advance of need" and proposes additional disclosure for borrowing solely to support commercial investment. It also sets out a range of recommended indicators to meet the requirement for local authorities to develop quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions. Investment strategies must detail the extent to which service delivery objectives are reliant on investment income and a contingency plan should yields on investments fall.

23. The definition of prudent MRP has been changed to "put aside revenue over time to cover the CFR"; it cannot be a negative charge and can only be zero if the CFR is nil or negative.

Guidance on asset lives has been updated, applying to any calculation using asset lives. Any change in MRP policy cannot create an overpayment; the new policy must be applied to the outstanding CFR going forward only.

Investment Activity

24. The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2017/18, the Authority's investment balance ranged between **£35** million and **£75** million due to timing differences between income and expenditure.

25. 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.

26. The Authority's best performing investments in 2017/18 were its £5m of externally managed pooled property funds. This generated income of £258,046 averaging 5.16% 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 2018/19 financial year.

27. In line with the Council's financial strategy agreed in August 2017, we are exploring options to update our range of investments to deliver an increase in investment performance and income received through treasury investments. Options have been discussed with Arlingclose and with their advice we have during the last quarter of the financial year increased our investment in the CCLA Property Fund by £1m and invested a further £8m in four other Funds. The total principal amounts invested in externally managed / pooled funds at 31 March are summarised as follows:

Organisation	**Fund Name**	**Amount Invested**
CCLA	LAMIT Property Fund	£5,000,000
Investec	Diversified Income Fund	£3,000,000
Schroders	Income Maximiser Fund	£3,000,000
Payden	Sterling Reserve Fund	£1,000,000
Royal London	Cash Plus Fund	£1,000,000

Interest Rates 2017/18

28. As detailed in the Arlingclose external context provided above, the base rate began the financial year at 0.25% but this was increased to 0.50% in November 2017. The MPC has heightened expectations of more increases in Bank Rate despite only modest changes in inflation and growth forecasts.

29. The Arlingclose central case is for Bank Rate to rise twice in 2018 and once in the first half of 2019.

	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75

Investment Portfolio

30. The table below shows the Council's portfolio of investments at the start and end of the 2017/18 financial year:

	Value of Investments at 1/4/2017	Value of Investments at 31/3/2018	Fixed/ Variable Rate
Investments advised by Arlingclose	**£**	**£**	
Money Market Fund	1,004,326	4,984,482	Variable
Diversified Income Fund		2,948,061	Variable
Property Fund	5,349,196	5,603,228	Variable
Total	**6,353,522**	**13,535,771**	
Internal Investments			
Certificates of Deposit	4,020,207	1,502,877	Fixed
Corporate Bonds	8,693,672	4,767,078	Fixed
Floating Rate Notes (FRNs)	10,018,545	2,008,716	Variable
Long Term Deposits (Other LAs)	3,000,000	3,000,000	Fixed
Short Term Deposits (Banks)	6,000,000	3,000,000	Variable
Short Term Deposits (Other LAs)	14,000,000	5,000,000	Variable
Money Market Funds (Constant Net Asset Value) & Business Reserve Accounts	1,000,000	2,230,000	Variable
Total	**46,732,424**	**21,508,671**	
Total Investment Values	**53,085,946**	**35,044,442**	

31. The reduction in the value of investments from £53m to £35m is due to the Councils' strategy to use cash reserves in the short term to finance the borrowing needed for the purchase of commercial property as per the commercial strategy. The Council will work closely with Arlingclose to ensure that, if there is a requirement to borrow externally in 2018/19, all options are explored and that the cost of borrowing is kept to a minimum.

Returns for 2017/18

32. The returns to 31st March 2018 are shown in the table below:

	Actual Income £'000	% Rate of Return
Investments advised by Arlingclose:		
Money Market Funds (VNAV)	8	
Diversified Income Fund (Investec)	9	
Property Fund (CCLA)	258	
Total	**275**	**4.11%**
Internal Investments:		
Certificates of Deposit (CD's)	11	
Corporate Bonds	81	
Floating Rate Notes (FRNs)	31	
Fixed Term Deposits	133	
Money Market Funds (CNAV) & Business Reserve Accounts	14	

	Actual Income £'000	% Rate of Return
Total	**270**	**0.83%**
Other Interest:		
Miscellaneous Loans	62	
Total	**62**	
2017/18 Total Treasury Investment Income	**607**	**1.82%**
2017/18 Treasury Income Budget	**478**	
Surplus	**129**	

33. The table above shows investment income for the year compared to the budget. The figures show a surplus over budget of £129,000. The original treasury management budget of £477,820 was derived by forecasting an average rate of return of 0.81% based on an average investment portfolio of £58.7m. The actual average investment return achieved during the year was 1.82%.

34. 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 income and expenditure, and the collection and distribution of council tax and business rates income.

Investments

35. 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 2017/18.

36. 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 2018 in comparison to all other clients of Arlingclose, showing that the Council is striking a comparatively good balance between risk and return. The following table lists the investments held on 31 March 2018

Breakdown of investments as at 31 March 2018

Date Invested	Counterparty	Nominal Amount	Rate %	Maturity Date
11 Nov 16	Northumberland County Council	1,000,000	1.00	11 Nov 20
09 Feb 17	Liverpool City Council	2,000,000	0.92	11 Nov 19
26 Jan 18	IPA SCB TD Incoming (Santander)	1,000,000	0.60	25 Jul 18
19 Apr 17	Bank of Scotland	1,000,000	0.80	19 Apr 18
27 Feb 18	Conwy County Borough Council	2,000,000	0.54	12 Apr 18
16 Mar 18	Cheshire East Council	2,000,000	0.59	02 May 18
28 Feb 18	Nationwide Building Society	1,000,000	0.63	31 Aug 18
19 Mar 18	Kings Lynn & West Norfolk Borough Council	1,000,000	0.70	05 Apr 18
	Certificates of Deposits			
10 Oct 17	Cooperative Rabobank	1,000,000	0.45	10 Apr 18
09 Feb 18	Rabobank	500,000	0.69	08 Feb 19
	Corporate Bonds			
4 Aug 14	Leeds Building Society *Covered*	500,000	2.13	17 Dec 18
22 Oct 14	Yorkshire Building Society *Covered*	1,500,000	1.56	12 Apr 18
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

Date Invested	Counterparty	Nominal Amount	Rate %	Maturity Date
10 Nov 16	National Australia Bank *Covered*	1,000,000	1.10	10 Nov 21
	Floating Rate Notes (FRN's)			
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	1,000,000	0.32	
	Standard Life (IGNIS)	330,000	0.23	
	Invesco Aim	500,000	0.28	
	Payden Fund VNAV	1,000,000	0.69	
Various	CCLA Property Fund	5,000,000	5.16	
23 Jan 18	Royal London Cash Plus Fund	1,000,000	0.66	
1 Feb 18	Investec Diversified Income Fund	3,000,000	1.90	
27 Mar 18	Schroder Income Maximiser Fund	3,000,000		
	Santander Business Reserve	400,000	0.27	
	TOTAL	**34,230,000**		

Note: Money Market Funds are instant access accounts so the rate displayed is a daily rate

Borrowing

37. As at 31 March 2018 the Council had no external borrowing.

38. The Council's underlying need to borrow is defined as its 'Capital Financing Requirement (CFR)'. The CFR was £9.2 million at the beginning of 2017/18. Capital expenditure during 2017/18 was funded through a combination of capital receipts, revenue reserves, external contributions (e.g. S106 receipts) and borrowing. As a result the borrowing requirement (CFR) has increased to £17.4 million. However, we have followed a strategy of using our cash reserves to finance this borrowing requirement in the short term – known as "internal borrowing" – as short term investment returns foregone are currently lower than longer term borrowing rates.

Prudential Indicators – 2017/18

39. In February 2017, through approval of the Treasury Management Strategy Full Council approved the Prudential Indicators for 2017/18, 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 [illegible]ity complies with the Code.

Prudential Indicator 1 - Capital Expenditure:

40. The actual capital expenditure incurred for 2017/18 compared to the revised estimate was:

	2016/17 Outturn £'000	2017/18 Revised Estimate £'000	2017/18 Outturn £'000	2017/18 Variance £'000	Reason for Variance
Approved capital schemes	6,187	16,628	16,424	(204)	Re-profiling of the expenditure to future years
Total Expenditure	**6,187**	**16,628**	**16,424**	**(204)**	

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

41. 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.

	2016/17 Outturn £'000	2017/18 Revised Estimate £'000	2017/18 Outturn £'000	2017/18 Variance £'000	Reason for Variance
Financing Costs	(512)	(52)	(434)	(382)	Additional investment income from the Pooled Funds
Net Revenue Stream	17,782	17,793	17,983	190	
%*	**(2.9)**	**(0.3)**	**(2.4)**		

*figures in brackets denote income through receipts and reserves

42. 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:

43. 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:

	2016/17 Outturn £'000	2017/18 Original Estimate £'000	2017/18 Outturn £'000	2017/18 Variance £'000	Reason for Variance
Opening CFR	9,343	9,249	9,338	89	
Capital Expenditure	8,675	4,903	18,854	13,951	Capital schemes part funded through internal borrowing in 2017/18
Capital Receipts*	(6,187)	(4,589)	(8,265)	(3,676)	Additional spend has resulted in more capital receipts required to fund the projects in year
Grants/Contributions*	(2,488)	(314)	(2,319)	(2,005)	
Minimum Revenue Position (MRP)	(113)	(74)	(169)	(95)	Initial MRP towards borrowing for commercial investments
Additional Leases taken on during the year	109	0	0	0	
Closing CFR	**9,339**	**9,175**	**17,439**	**8,264**	

*Figures in brackets denote income through receipts or reserves.

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

44. 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.

	2017/18 Outturn £'000	2017/18 Revised Estimate £'000	2017/18 Outturn £'000	2017/18 Variance £'000
Borrowing	0	0	0	0
Finance Leases	227	136	138	2
Total Debt	**227**	**136**	**138**	**2**

45. 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:

46. 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.

	2016/17 Actual %	2017/18 % Limit	2017/18 Actual %	2017/18 Variance %
Fixed	14.37	80	20.45	(59.55)
Variable	85.63	100	79.55	(20.45)

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

	2016/17 Actual %	2017/18 % Limit	2017/18 Actual %
Fixed	0	100	0
Variable	0	100	0

48. The indicator above 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:

49. 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	2016/17 Actual (Principal amount) £'000	2017/18 Maximum Limit £'000	2017/18 Actual (Principal amount) £'000
Between 1-2 years	2,500	25,000	4,000
Between 2-3 years	4,000	20,000	1,000
Between 3-4 years	1,000	10,000	2,000
Between 4-5 years	2,000	10,000	0
Over 5 years	0	5,000	0

50. 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:

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

52. 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

53. 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:

54. 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 31/03/2018	£'000
Borrowing	0
Other Long-term Liabilities (Finance Leases)	
- Vehicles	128
- Photocopiers	10
Total	**138**

Prudential Indicator 9 - Authorised Limit for External Debt:

55. 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 spends over and above the agreed capital programme. A borrowing requirement was identified in year to finance the capital programme and further

borrowing may be undertaken to fund the agreed plans to acquire investment properties. [Note the borrowing limit has increased during 2018/19]

	2016/17 Actual £'000	2017/18 Original Estimate £'000	2017/18 Actual £'000
Borrowing	0	26,000	0
Other Long-term Liabilities	227	1,000	138
Total	**227**	**27,000**	**138**

Prudential Indicator 10 – Operational Boundary for External Debt:

56. 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.

57. The S151 Officer has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next Council meeting.

	2016/17 Actual £'000	2017/18 Original Estimate £'000	2017/18 Actual £'000	2017/18 Variance £'000
Borrowing	0	24,200	0	(24,200)
Other Long-term Liabilities	227	800	138	(662)
Total	**227**	**25,000**	**138**	**(24,862)**

Prudential Indicator 11 - Maturity Structure of Fixed Rate borrowing:

58. 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	**2017/18 Upper Limit %**	**2017/18 Lower Limit %**	**2017/18 Actual %**
Under 12 months	100	0	0
12 months and within 24 months	100	0	0
24 months and within 5 years	100	0	0
5 years and within 10 years	100	0	0
10 years and within 20 years	100	0	0
20 years and within 30 years	100	0	0
30 years and within 40 years	100	0	0
40 years and within 50 years	100	0	0
50 years and above	100	0	0

Prudential Indicator 12 - Incremental Impact of Capital Investment Decisions:

59. 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.

Note: This prudential indicator has been deleted in the revised Prudential Code.

Incremental Impact of Capital Investment Decisions	**2016/17 Actual £**	**2017/18 Actual £**
Decrease in Band D Council Tax	0.12	0.15

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

60. 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 initially approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 18th April 2002.

Note: The requirement to formally adopt the Prudential Code has been removed in the 2017 edition, as statutory guidance requires the Council to have regard to the Code.

Conclusion

61. The council operated within all of the Prudential Indicators during 2017/18.

Background Papers

Treasury Management Strategy Statement 2017/18
Capital Outturn 2017/18

<u>Appendix A – South Somerset District Council Investments compared to English Non-Met Districts</u>