

TELFORD & WREKIN COUNCIL**AUDIT COMMITTEE – 24 JULY 2018****TREASURY MANAGEMENT - 2017/18 ANNUAL REPORT AND 2018/19 UPDATE****REPORT OF THE ASSISTANT DIRECTOR: FINANCE & HR (CHIEF FINANCIAL OFFICER)****PART A) – SUMMARY REPORT****1. SUMMARY OF MAIN PROPOSALS**

The report updates members on the outcome of Treasury Management activities for 2017/18 and details the position for 2018/19 to date.

2017/18 Treasury Outturn

The treasury portfolio ended the year with net indebtedness of £236.8m (borrowing: £256.7m less investments: £19.9m (excluding NuPlace Share capital). Base rate was increased from 0.25% to 0.50% on 2 November 2017 and remained there for the rest of 2017/18. It is predicted to increase slowly during 2018/19 and later years.

The borrowing strategy for 2017/18 was to borrow temporarily to take advantage of low interest rates where possible and review opportunities for new longer term borrowing as appropriate. Borrowing was £36.7m higher at 31 March 2018 compared to 31 March 2017, investments were unchanged (excluding NuPlace share capital). The net increase in net indebtedness was due to capital expenditure, including income generating schemes such as NuPlace and the Property Investment Portfolio as well as various highways schemes which have increased the value of Council assets. After adjusting for conversion of former Local authority schools to academy status, the value of the Council's fixed assets increased by £47.8m during 2017/18. Short term borrowing was used during the year at favourable interest rates generating a significant benefit for the Council's budget.

The investment strategy for 2017/18 was to gain maximum benefit with security of capital being the key consideration. The average return on investments for the year was 0.25% against a benchmark return of 0.23%.

Overall, treasury delivered a net over-achievement of £2.75m against the budget set for 2017/18. The majority of the saving relates to the benefit of low interest rates on the levels of temporary borrowing we held during the year.

2018/19 Update

The strategy for 2018/19 remains consistent with that of the previous year. Investment opportunities will be reviewed as they arise and we will seek to gain maximum benefit within the agreed risk parameters. There are currently no long term investments, which reduces counter-party risk and also reduces net interest costs as longer-term borrowing costs tend to be greater than we are able to earn on new investments.

Based on the capital programme, borrowing will be required during the year and consideration will be given to the maturity profile of current debt, interest rates and refinancing risks as well as the source, which is primarily expected to be the Public Works Loans Board.

Total borrowing was £256.7m at 31/3/18 and has reduced slightly to £255.7m as at 31 May 2018. Investments were £28.8m at 31 May 2018.

2. RECOMMENDATIONS

Audit Committee Members are asked to:-

- 2.1 note the contents of the report
- 2.2 note the performance against Prudential Indicators.

3. *SUMMARY IMPACT ASSESSMENT*

COMMUNITY IMPACT	Do these proposals contribute to specific priority plan objectives? Yes/No Efficient Community Focussed Council Will the proposals impact on specific groups of people? Yes/No
TARGET COMPLETION / DELIVERY DATE	Part of ongoing Treasury Management Activities within the Treasury Management Strategy and Policy approved by Council.
FINANCIAL/VALUE FOR MONEY IMPACT	Yes/No Where appropriate these are detailed in the body of the report.
LEGAL ISSUES	Yes/No The Assistant Director: Finance & HR (Section 151 Officer), has responsibility for the administration of the financial affairs of the Council. In providing this report the Section 151 Officer is meeting one of the responsibilities of the post contained within the Council's Constitution at Part 2, Article 12, paragraph 12.04(f) which states "The Chief Financial Officer will contribute to the promotion and maintenance of high standards of governance, audit, probity and propriety, risk management and the approval of the statement of accounts

through provision of support to the Audit Committee.”

**OTHER IMPACTS,
RISKS AND
OPPORTUNITIES**

Yes/No

The key opportunities and risks associated with treasury management activities are set out in the body of the report and in the Treasury Management Strategy and Policy approved by Council and will be regularly monitored throughout the year.

**IMPACT ON
SPECIFIC WARDS**

Yes/No

4. **PREVIOUS MINUTES**

Council 2 March 2017

Audit Committee 27 June 2017

Audit Committee 30 January 2018

Council 1 March 2018

PART B – ADDITIONAL INFORMATION

5. **BACKGROUND**

Treasury Management in local government is regulated by the CIPFA Treasury Management in Public Services: Code of Practice (the Code). This Council has adopted the Code and fully complies with its requirements. The primary requirement of the Code is the formulation and agreement by full Council of a Treasury Policy Statement, which states the policies and objectives of its treasury management activities.

A requirement of the Council's Treasury Management Practices is the reporting to the Council of both the expected treasury activity for the forthcoming financial year (the annual treasury strategy statement) and subsequently the results of the Council's treasury management activities in that year (this annual treasury report).

6. **2017/18 ANNUAL REPORT**

The annual report is covered in paragraphs 6-15 and deals with: -

- 2017/18 Portfolio position;
- Economic Climate and Other Information
- the borrowing strategy for 2017/18;
- the borrowing outturn for 2017/18;
- compliance with treasury limits;
- investments strategy for 2017/18;
- investments outturn for 2017/18;
- debt rescheduling;
- Shropshire Council debt
- overall outturn position
- leasing

7. 2017/18 PORTFOLIO POSITION

The Council's treasury management position at the beginning and the end of the year was as follows: -

	31 March 2018		31 March 2017	
	Principal £m	Rate %	Principal £m	Rate %
Borrowing	(256.702)	2.22	(220.048)	2.36
Investments (excluding NuPlace share capital)	19.937	0.25	19.943	0.26
Net Indebtedness (ex NuPlace)	<u>(236.765)</u>		<u>(200.105)</u>	
Investment in NuPlace share capital	8.950		6.450	
Net Indebtedness	<u>(227.815)</u>		<u>(193.655)</u>	

There was continued temporary borrowing, repayment of £2.3m PWLB during 2017/18 as well as new PWLB borrowing of £60m. Temporary borrowing was £102.2m at 31 March 2018 (including £5.1m PWLB maturing in 2018/19). The capital programme was funded from a combination of borrowing, capital receipts, grants and other external contributions; this has resulted in an increase in net indebtedness during the year. Prudential borrowing increased in 2017/18 due to planned capital expenditure approved as part of the capital programme. Investments at 31/3/18 included £8.95m share capital in NuPlace.

The Adopted Treasury Strategy was to:-

- Monitor long term borrowing opportunities determined by the prevailing markets.
- Borrowing short term to meet cash flow requirements;
- Hold investments of £10m to comply with MIFID II;
- investing short term to meet cash flow requirements.
- Reduce the volatility of investment returns while maintaining adequate flexibility in arrangements.
- To achieve optimum return on investments commensurate with proper levels of security and liquidity.

9. ECONOMIC CLIMATE AND OTHER INFORMATION

9.1 **Economic background:** 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. The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.8% during 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.

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. 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 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.

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. 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.

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. 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. However, the imposition of tariffs on a broadening range of goods initiated by the US, which has led to retaliation by China, could escalate into a deep-rooted trade war having broader economic consequences including inflation rising rapidly, warranting more interest rate hikes.

Financial markets: The increase in Bank Rate resulted in higher money markets rates: 1-month, 3-month and 12-month LIBID rates averaged 0.32%, 0.39% and 0.69% and at 31st March 2018 were 0.43%, 0.72% and 1.12% respectively. Gilt yields displayed significant volatility over the twelve-month period with the change in sentiment in the Bank of England's outlook for interest rates. The yield on the 5-year gilts which had fallen to 0.35% in mid-June rose to 1.65% by the end of March. 10-year gilt yields also rose from their lows of 0.93% in June to 1.65% by mid-February before falling back to 1.35% at year-end. 20 year gilt yields followed an even more erratic path with lows of 1.62% in June, and highs of 2.03% in February, only to plummet back down to 1.70% by the end of the financial year.

The FTSE 100 had a strong finish to calendar 2017, reaching yet another record high of 7688, before plummeting below 7000 at the beginning of 2018 in the global equity correction and sell-off.

Credit background: In the first quarter of the financial year, UK bank credit default swaps (CDS) reached three-year lows on the announcement that the Funding for Lending Scheme, which gave banks access to cheaper funding, was being extended to 2018. For the rest of the year, CDS prices remained broadly flat. The rules for UK banks' ring-fencing were finalised by the Prudential Regulation Authority and banks began the complex implementation process ahead of the statutory deadline of 1st January 2019. As there was some uncertainty surrounding which banking entities the Authority would be dealing with once ring-fencing was implemented and what the balance sheets of the ring-fenced and non ring-fenced entities would actually look like, in May 2017 Arlingclose advised adjusting downwards the maturity limit for unsecured investments to a maximum of 6 months. The rating agencies had slightly varying views on the creditworthiness of the restructured entities. Barclays was the first to complete its ring-fence restructure over the 2018 Easter weekend; wholesale deposits including local authority deposits will henceforth be accepted by Barclays Bank plc (branded Barclays International), which is the non ring-fenced bank.

Money Market Fund regulation: The new EU regulations for Money Market Funds (MMFs) were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility Net Asset Value (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.

Credit Rating developments: The most significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities. Changes to credit ratings included Moody's downgrade of Standard Chartered Bank's long-term rating to A1 from Aa3 and the placing of UK banks' long-term ratings on review to reflect the impending ring-fencing of retail activity from investment banking (Barclays, HSBC and RBS were on review for downgrade; Lloyds Bank, Bank of Scotland and National Westminster Bank were placed on review for upgrade). Standard & Poor's (S&P) revised upwards the outlook of various UK banks and building societies to positive or stable and simultaneously affirmed their long and short-term ratings, reflecting the institutions' resilience, progress in meeting regulatory capital requirements and being better positioned to deal with uncertainties and potential turbulence in the run-up to the UK's exit from the EU in March 2019. The agency upgraded Barclays Bank's long-term rating to A from A- after the bank announced its plans for its entities post ring-fencing. Fitch revised the outlook on Nationwide Building Society to negative and later downgraded the institution's long-term ratings due to its reducing

buffer of junior debt. S&P revised the society's outlook from positive to stable. S&P downgraded Transport for London to AA- from AA following a deterioration in its financial position. Moody's downgraded Rabobank's long-term rating due to its view on the bank's profitability and the long-term ratings of the major Canadian banks on the expectation of a more challenging operating environment and the ratings of the large Australian banks on its view of the rising risks from their exposure to the Australian housing market and the elevated proportion of lending to residential property investors. S&P also upgraded the long-term rating of ING Bank to A+.

Other developments: In February, Arlingclose advised against lending to Northamptonshire County Council (NCC). NCC issued a section 114 notice in the light of severe financial challenge and the risk that it would not be in a position to deliver a balanced budget.

In March, following Arlingclose's advice, the Authority removed RBS plc and National Westminster Bank from its counterparty list. This did not reflect any change to the creditworthiness of either bank, but a tightening in Arlingclose's recommended minimum credit rating criteria to A- from BBB+ for FY 2018-19. The current long-term ratings of RBS and NatWest do not meet this minimum criterion, although if following ring-fencing NatWest is upgraded, the bank would be reinstated on the Authority's lending list.

Local Authority Regulatory Changes

Revised CIPFA Codes: CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The required changes from the 2011 Code have been incorporated into Treasury Management Strategies and monitoring reports.

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.

The Authority is in the process of preparing its Capital Strategy. This will be presented to Council later in the year.

In the 2017 Treasury Management Code the definition of 'investments' has been widened to include financial assets as well as 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.

MHCLG Investment Guidance and Minimum Revenue Provision

(MRP): In February 2018 the MHCLG (Ministry of Housing, Communities and Local Government) published revised Guidance on Local Government and 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). The Guidance introduces the concept of proportionality, proposes additional disclosure for borrowing solely to invest and also specifies additional indicators. 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.

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.

MiFID II: As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3rd January 2018 local authorities were automatically treated as retail clients but could “opt up” to professional client status, providing certain criteria was met which includes having an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the authority have at least a year’s relevant professional experience. In addition, the regulated financial services firms to whom this directive applies have had to assess that that person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The Authority has met the conditions to opt up to professional status and has done so in order to maintain its erstwhile MiFID II status prior to January 2018. The Authority will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

- 9.2 The Council has continued to maintain short duration and relatively low level of investments during 2017/18. This reduces exposure to investment risk.
- 9.3 We have closely followed investment guidance issued by our Treasury Advisors in relation to credit ratings, financial standing and duration and take advice on borrowing strategies and options.

10. **BORROWING 2017/18**

10.1 **Original Economic Projections**

The Expectation for Interest Rates – When the budget was set for 2017/18 the “average” City view anticipated that Bank Rate would remain at 0.25% until 2020 before starting to rise gradually back towards more normal levels, though Bank Rate would take a long time to return to a normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%.

10.2 **Outturn 2017/18**

During 2017/18 the Monetary Policy Committee (MPC) was initially focused on helping the economy to recover, but with inflation rising. The base rate began the year at 0.25%.

Base rate was increased to 0.50% on 2 November 2017 and the MPC has indicated that it will rise slowly through 2018/19 and later years. However the expected increase by the bank in May 2018 did not materialise, due to the performance of the economy. An increase is now expected in August.

Borrowing and Investment Rates in 2017/18

The overnight investment rate fell after the cut in base rate and picked up after the base rate increase in November.

Treasury Borrowing and Rescheduling

The borrowing strategy for the current year was to borrow temporarily to take advantage of low interest rates where possible and review opportunities for new longer term borrowing as appropriate.

During the year we borrowed new PWLB loans totalling £60.0m at the certainty rate and we had maturities totalling £2.3m. These new loans were a mixture of Equal Instalments of Principal and Maturity loans.

PWLB Repayments & Discounts

No loans were repaid early or rescheduled during the year.

An analysis of the maturity structure of our debt is shown below. The maturing in less than 1 year includes £5.097m of PWLB loans.

Analysis of Debt Maturity as at 31st March

	2018		2017	
	£'000	%	£'000	%
Maturing in less than 1 year	102,176	39.8	119,175	54.2
Maturing in 1-2 years	5,098	2.0	2,097	0.9
Maturing in 2-5 years	12,793	5.0	4,793	2.2
Maturing in 5-10 years	18,741	7.3	5,241	2.4
Maturing in more than 10 years*	<u>117,894</u>	45.9	<u>88,742</u>	40.3
	<u>256,702</u>	100.0	<u>220,048</u>	100.0

* this includes £45m LOBO (Lenders Option Borrowers Option) loans that are potentially callable at certain points before the maturity date. There is therefore the potential that these loans would have to be replaced sooner exposing the council to the prevailing market at that time. To-date, none of our LOBOs have been called before maturity and current expectations are that calls in the foreseeable future are unlikely.

Debt Performance

As highlighted in section 7 the average debt portfolio rate has fallen over the course of the year from 2.36% to 2.22%. This is due to the continued high level of use of temporary borrowing being undertaken in 2017/18.

11. COMPLIANCE WITH TREASURY LIMITS

During the financial year the Council operated within the Treasury Limits and Prudential Indicators set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement

12. **INVESTMENTS 2017/18**

12.1 **Strategy**

Internally Managed Investments - The authority currently manages the majority of its investments in-house and invests within the institutions complying with its counterparty limits and credit rating requirements. All investments are short term related to cash flows in order to minimise counterparty risk and to minimise overall treasury management costs. During 2017/18 the Council Invested £4.98m in Money Market Funds, these provide greater diversification of credit risk and achieve a slightly higher return than our investments in call accounts.

Investment Strategy - The agreed short term investment strategy for 2017/18 was to achieve optimum return on investments commensurate with proper levels of security and liquidity.

12.2 **Outturn 2017/18**

Detailed below are the results of the investment strategy undertaken by the Council, based on the average investment during the year.

	Average Investment	Rate of Return (net of fees)	Benchmark Return *
Internally Managed			
Investments	£23.090m	0.25%	0.23%

*overnight rate

No institutions in which investments were made showed any difficulty in repaying investments and interest in full during the year.

13. **SHROPSHIRE COUNCIL DEBT**

The Council makes an annual contribution (£1.349m in 2017/18) towards Shropshire Council costs on pre disaggregation debt (i.e. pre unitary inception) - interest paid averaged 5.27% last year. The rate of interest paid on this is managed by Shropshire and is considerably higher than the rate payable by Telford & Wrekin Council on its borrowing.

14. **OVERALL OUTTURN FOR 2017/18**

The net overall position is summarised in the table below. The sound overall position has resulted from a mix of cash flow benefits plus proactive treasury management activities. The budget reflected the position when the budget was set, the underspend has been achieved through active management of borrowing and the low interest rates prevailing for the year. Overall a net saving of £2.75m was made against budget for the year which is summarised below:

Summary of Outturn Position

	Estimate £m	Outturn £m	Variance £m
Interest Received	(0.15)	(0.06)	0.09
Debt Management & Recharges	0.05	0.08	0.03
MRP saving from change of policy re PFI	(2.32)	(2.32)	0.00
Capitalisation of Interest	(0.21)	(0.03)	0.18
Shropshire County Council	1.35	1.35	0.00
Interest Paid	<u>6.92</u>	<u>3.87</u>	<u>(3.05)</u>
Net Position	5.64	2.89	(2.75)

15 **LEASING**

Each year the Council arranges operating leases for assets such as vehicles, computers and equipment. This helps spread the cost over a number of years in line with the anticipated life of the equipment.

The final drawdown for 2017/18 was completed in March. The drawdown consisted of a finance lease from Cranmer Lawrence totalling £0.464m and funded the purchase of vehicles over five years at an interest rate of 1.46%.

16. **2018/19 UPDATE**

The remainder of this report deals with the current financial year based largely on information to 31 May 2018.

16.1 **Strategy**

The strategy for 2018/19 is to continue to keep investments as short term, where possible, to reduce the need to borrow thus reducing investment exposure and maximising overall returns to the revenue account. We will review investment opportunities if they arise and also review borrowing opportunities as we progress through the year and look to take advantage of advantageous interest rates where appropriate. 2018/19 and 2019/20 will see the Council continue to invest in significant regeneration projects including highways and building homes and commercial property for rent as part of the approved Housing Investment Programme. In order to comply with MiFID II the Council will maintain a minimum investment balance of £10m.

16.2 **Interest Rates**

Base rate began the year at 0.50% and has remained there. The current expectation is that there will be an increase August 2018.

16.3 **Prudential Regime**

This Council agreed its required indicators at Council on 2 March 2018. There have been no breaches of the indicators and none have been amended. The Council set itself an Operational limit for external debt of £409m for 2018/19 and an Authorised limit of £430m. Our total borrowing outstanding as at 31/05/18 (including PFI) is £309m which is within both limits.

16.4 **Borrowing**

We have taken two New PWLB loans during in 2018/19 both are 50 year Maturity loans and for £10m at rates of 2.27% and 2.25% and have had £0.5m maturing to date. In total we have £5.1m maturing during 2018/19.

16.5 **Internally Managed Investments**

The strategy for the year is to gain maximum benefit at minimum risk whilst achieving as a minimum, the overnight deposit rate. For the period to 31 May 2018 some £608m worth of investments have been made in our overnight call accounts. Rates have ranged from 0.25% to 0.40%. As at 31 May 2018 internal investments stood at £28.837m.

Potentially the Council can place up to £15.0m with any Counterparty. At the end of May the greatest exposure with a single counterparty was £8.317m with Lloyds Bank (28.8% of the portfolio). £7.8m was invested with a non UK sovereign institution. A detailed breakdown is shown in Appendix 2.

The Council also has investments in money market funds which gives increased diversification of counter-party risk and slightly higher yield whilst retaining a high degree of liquidity. The amount invested in money market funds at 31st May 2018 is £4.98m

16.6 **Non UK Sovereign Counterparty Limits**

At present we have a non UK sovereign counterparty limit set at £15m.

17 **Background Papers**

CIPFA Code of Practice for Treasury Management in Local Authorities;
Fund Manager Valuations; Temporary Borrowing records; PWLB
records

Investment records

Arlingclose Economic Update

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PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2016/17	2017/18	2017/18
(1). EXTRACT FROM BUDGET AND RENT SETTING REPORT	£m	£m	£m
	Actual Outturn	Original Estimate	Actual Outturn
Capital Expenditure			
TOTAL	73.7	76.8	85.5
Ratio of financing costs to net revenue stream			
General fund	3.67%	6.60%	3.85%
Net borrowing requirement			
brought forward 1 April	164.1	195.2	220.0
carried forward 31 March	220.0	235.0	256.7
in year borrowing requirement	+55.9	+39.8	+36.7
Capital Financing Requirement as at 31 March			
TOTAL	367.8	417.5	420.8
Annual change in Cap. Financing Requirement			
TOTAL	+32.2	+40.3	+43.0
Incremental impact of capital investment decisions	£ p	£ p	£ p
Increase in council tax (band D) per annum (not cumulative)	27.01	1.84	1.84

PRUDENTIAL INDICATOR	2016/17	2017/18	2017/18
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£m	£m	£m
	final	original	final
Authorised limit for external debt - borrowing	330	350	350
other long term liabilities	62	61	61
TOTAL	392	411	411
Operational boundary for external debt - Borrowing	310	330	330
other long term liabilities	60	60	60
TOTAL	370	390	390
Upper limit for fixed interest rate exposure Net principal re fixed rate borrowing / investments	100	100	100
Upper limit for variable rate exposure Net principal re variable rate borrowing / investments:-	30%	30%	30%
Upper limit for total principal sums invested for over 364 days (per maturity date)	95%	95%	95%

Maturity structure of fixed rate borrowing during 2017/18	lower limit	upper limit
under 12 months	0%	70%
12 months and within 24 months	0%	30%
24 months and within 5 years	0%	50%
5 years and within 10 years	0%	75%
10 years and above	25%	100%

Summary of Investments at 31 May 2018

	Sovereign Credit Rating	Individual credit Rating	Total £m	%
Call Accounts				
Lloyds Svenska	UK AA	F1 A+ support 5 viability a	8.317	28.8
Handelsbanken	SWE AAA	F1+ AA support 5 viability aa	7.770	26.9
Santander	UK AA	F1 A support 5 viability a	7.770	26.9
Other Investments				
Money Market Funds	N/A	AAA	4.980	17.4
Total			28.837	100.0

Call Accounts Non UK holding £7.8m (Limit £15m)

Please note. Part of the Money Market Funds are invested in non UK sovereigns. At 31st May 2018 this amounted to 92.2% of these funds – around £4.6M.