WIRRAL COUNCIL

CABINET

13 JULY 2015

SUBJECT	**TREASURY MANAGEMENT ANNUAL REPORT 2014/15**
WARD/S AFFECTED	**ALL**
REPORT OF	**ACTING SECTION 151 OFFICER**
RESPONSIBLE PORTFOLIO HOLDER	**COUNCILLOR PHIL DAVIES**
KEY DECISION	**YES**

1.0 EXECUTIVE SUMMARY

1.1 The Authority's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires the production of annual Prudential Indicators and a Treasury Management Strategy Statement on likely financing and investment activity. The Code also recommends that Members are informed of treasury management activities at least twice a year.

1.2 This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the Department for Communities and Local Government (CLG) Investment Guidance.

1.3 The Authority achieved in-year savings from the re-profiling of the Capital Programme and the temporary use of internal funds offsetting the requirement to externally borrow. The use of these internal funds reduced the sums available to invest but in times of low interest rates there are overall benefits. As a consequence Treasury Management activities achieved one-off savings of £2 million in 2014/15. The Authority also complied with the Prudential Indicators.

2.0 BACKGROUND AND KEY ISSUES

2.1 Treasury management is defined by CIPFA as: "The management of the local authority investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.2 Cabinet approves the Treasury Management Strategy at the start of each financial year. This identifies how it is proposed to finance capital expenditure, borrow and invest in the light of capital spending requirements, the interest rate forecasts and the expected economic conditions. During the year Cabinet receives a mid-year report on treasury management activities and at the end of each financial year this Annual Report.

ECONOMIC BACKGROUND

2.3 The robust pace of Gross Domestic Product (GDP) growth of 3% in 2014 was underpinned by a buoyant services sector, supplemented by positive contributions from the production and construction sectors. Rising average house prices, improved consumer confidence and healthy retail sales added to the positive outlook for the UK economy given the important role of the consumer in economic activity.

2.4 Annual Consumer Price Index (CPI) inflation fell to 0% for the year to March 2015, down from 1.6% a year earlier. The key driver was the fall in the oil price and a steep drop in wholesale energy prices with extra downward momentum coming from supermarket competition resulting in lower food prices. Bank of England Governor Mark Carney wrote an open letter to the Chancellor in February, explaining that the Bank expected CPI to temporarily turn negative but rebound around the end of 2015 as the lower prices dropped out of the annual rate calculation.

2.5 The UK labour market continued to improve and remains resilient across a broad base of measures including real rates of wage growth. January 2015 showed a headline employment rate of 73.3%, while the rate of unemployment fell to 5.7% from 7.2% a year earlier. Comparing the three months to January 2015 with a year earlier, employee pay increased by 1.8% including bonuses and by 1.6% excluding bonuses.

2.6 The Bank of England maintained interest rates at 0.5% and asset purchases (Quantitative Easing - QE) at £375 billion. There was a wide range of views on the response to 0% CPI inflation, but felt it was appropriate not to panic respond to the current low rate of inflation reiterating the stance that the economic headwinds for the UK economy and the legacy of the financial crisis meant that increases in the Bank Rate would be gradual and limited, and below average historical levels.

2.7 On the continent, the European Central Bank (ECB) lowered its official benchmark interest rate from 0.15% to 0.05% in September 2014 and the rate paid on commercial bank balances from -0.1% to -0.2%. The anticipated quantitative easing, which will expand the ECB's balance sheet by €1.1 trillion was finally announced by the ECB at its January meeting in an effort to steer the euro area away from deflation and invigorate its moribund economies. The size was at the high end of market expectations and will involve buying €60 billion of sovereign bonds, asset-backed securities and covered bonds a month commencing March 2015 through to September 2016. The possibility of a Greek exit from the Eurozone refused to subside given the clear frustrations that remained between its new government and its creditors.

2.8 The US economy rebounded strongly in 2014 albeit from a low level. The Federal Reserve made no change to US policy rates. The central bank continued with 'tapering', i.e. a reduction in asset purchases by $10 billion per month, before ending them altogether in October 2014. With the US economy resilient enough the weather the weakness of key trading partners and a strong US dollar, in March 2015 the Fed removed the word "patient" from its statement accompanying its rates decisions, effectively leaving the door open for a rise in rates later in the year.

2.9 From July, 2014 gilt yields were driven lower by a combination of factors: geo-political risks emanating from the Middle East and Ukraine, the slide towards deflation within the Eurozone and the big slide in the price of oil and its transmission though into lower prices globally. 5, 10 and 20 year gilt yields fell to their lows in January (0.88%, 1.33% and 1.86% respectively) before ending the year higher at 1.19%, 1.57% and 2.14% respectively.

BORROWING AND DEBT MANAGEMENT

2.10 The Authority's underlying need to borrow as measured by the Capital Financing Requirement (CFR) at 31/03/2015 was £337.8 million.

	Balance on 01/04/2014 £000	Maturing Debt £000	New Borrowing £000	Balance on 31/03/15 £000
CAPITAL FINANCING REQUIREMENT	**360,090**			**337,800**
Short Term Borrowing	15,589	(5,546)	0	10,043
Long Term Borrowing	201,302	(7,422)	0	193,880
TOTAL BORROWING	**216,891**	**(12,968)**	**0**	**203,923**
Other Long Term Liabilities	55,181	(2,377)	0	52,804
TOTAL EXTERNAL DEBT	**272,072**	**(15,345)**	**0**	**256,727**

2.11 Given the reductions to public expenditure and in particular local government funding, the borrowing strategy continued to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

2.12 At 31 March 2015 the debt comprised of funding for previous years' capital investment of £153 million (£161 million at 31 March 2014) and £50 million for the Merseyside Residuary Body debt which is administered by the Authority (£55 million at 31 March 2014).

2.13 The following table shows the long term loans repaid during the year.

Loans maturing in 2014/15	**Principal £m**	**Fixed/ Variable**	**Rate %**	**Loan start date**	**Terms**
*PWLB	5.00	Fixed	9.00	28-Feb-89	Maturity
PWLB	6.00	Fixed	5.10	22-Mar-07	Maturity
PWLB	0.50	Fixed	3.04	10-Feb-10	E I P
PWLB	0.50	Fixed	2.94	03-Mar-10	E I P
PWLB	0.50	Fixed	1.89	14-Oct-10	E I P
PWLB	0.50	Fixed	2.30	09-Nov-11	E I P
Total Maturing Borrowing	**13.00**				

** Loan repaid was in respect of Merseyside Residual Debt Fund*

2.14 The average rate of interest paid on borrowings as at 31 March 2015 was 5.89% (5.3% for 2013/14) and the average life of borrowings is 21 years (the same as for 2013/14). It should be noted that the average rate calculation excludes the benefit received from the policy of using internal borrowing to delay borrowing for capital financing purposes. This incurs a nil borrowing cost at the expense of foregone investment income (currently below 0.5%) and if included would reduce the average rate.

2.15 The 2014/15 Treasury Management Strategy estimated that the Authority would have been allowed to increase its maximum borrowing requirement by up to £105 million during the year to without breaching the CFR limit. During the year no longer term borrowing arrangements were entered into.

2.16 The chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the long-term plans change being a secondary objective.

2.17 Affordability and the "cost of carry" remained important influences on the borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained, and are likely to remain at least over the forthcoming two years, lower than long-term rates, it was more cost effective in the short-term to use internal resources instead.

2.18 The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose, the treasury management advisers, assist the Authority with this 'cost of carry' and breakeven analysis.

2.19 In January 2015 the Department of Communities and Local Government (CLG) confirmed that HM Treasury (HMT) would be taking the necessary steps to abolish the Public Works Loans Board. HMT has confirmed however that its lending function will continue unaffected with local authorities retaining access to borrowing rates at good value rates. The Authority intends to use the PWLB's replacement as a potential source of borrowing if required.

Other Long-Term Liabilities

2.20 Other Long-Term Liabilities include the schools Private Finance Initiative (PFI) scheme and finance leases used to purchase vehicles plant and equipment. Under the International Financial Reporting Standards (IFRS) these items are now shown on the Balance Sheet as a Financial Liability and therefore need to be considered within any Treasury Management decision making process.

2.21 As at 31 March 2015 the PFI liability was valued at £52.8 million to be repaid by 2031 and there was one finance lease with a total liability of £18,000 repayable over 2 years.

Minimum Revenue Provision (MRP)

2.22 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. In lay terms this is the equivalent of being required to charge an annual principal repayment into our accounts. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

2.23 The MRP policy for 2014/15 was approved by Cabinet on 12 February 2014. In the absence of any Supported Borrowing, Option 3 the asset life method was applied to the funding of assets and where that life was greater than 25 years a default asset life of 25 years is applied. MRP in respect of PFI and leases brought on Balance Sheet under International Financial Reporting Standards (IFRS) is also calculated using Option 3 and will match the annual principal repayment for the associated deferred liability.

MRP policy changes

2.24 As the default asset life is not enshrined in legislation it is recommended that the Treasury Management Strategy be amended to enable a more flexible approach to be adopted. This is likely to produce financial savings in the short to medium term and whilst continuing to use Option 3 would not stipulate the methodology to be used. This would enable MRP to be calculated on the basis of true asset lives or as an alternative the "Annuity Method". This produces a profile of principal repayments which starts low and increases each year reflecting the time value of money i.e. £1 in year 1 will have more purchasing power than to £1 in year 10. It is important to note that whichever method is adopted the overall MRP over the life of the loan will be the same; only the profile of repayment is different.

2.25 In 2014/15 the decision to use internal resources in lieu of borrowing for capital purposes, thereby delaying the charging of MRP costs and the beneficial timing of the new borrowing has helped generate savings of £2.3 million whilst complying with the Regulations. In future years the temporary use of internal funds will have to be replaced by increased external borrowing so provides a short-term saving.

INVESTMENT ACTIVITY

2.26 Both the CIPFA and the CLG's Investment Guidance require the Authority to invest prudently and have regard to the security and liquidity of investments before seeking the optimum yield. The following table summarises the investment activity during the year.

Investment Counterparty	Balance 01/04/14 £000	Investments Made £000	Maturities £000	Balance on 31/03/15 £000	Credit Rating
UK Local Authorities	16,000	7,000	(16,000)	7,000	AA
Banks	0	50,045	(45,045)	5,000	AA-
	0	10,000	(10,000)	0	A+
	15,960	59,965	(62,925)	13,000	A
	0	15,000	(13,000)	2,000	A-
Building Societies	7,000	12,000	(17,000)	2,000	A
	0	4,000	(2,000)	2,000	A-
	0	5,000	(4,000)	1,000	Unrated
Money Market Funds	18,500	409,805	(400,195)	28,110	AAA
Funds Managed Externally	1,000	0	0	1,000	AAA
TOTAL INVESTMENTS	58,460	572,815	(570,165)	61,110	

Note: Any unrated building Societies utilised have been independently assessed as credit worthy

2.27 Security of capital remained the main investment objective. This was maintained by following the counterparty policy set out in the Treasury Management Strategy Statement for 2014/15 which defined "high credit quality" organisations as those having a long-term credit rating of [A-] or higher that are domiciled in the UK or a foreign country with a sovereign rating of [AA+] or higher.

2.28 Investments with banks and building societies were primarily call accounts and fixed-rate term deposits. The maximum duration of these investments was 12 months in line with the prevailing credit outlook during the year as well as market conditions.

2.29 Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating is [A-] across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

2.30 The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. As a consequence Moody's revised the Outlook of several UK and EU banks from Stable to Negative (this is not the same as a rating review negative) and S&P placed the ratings of UK and German banks on Credit Watch with negative implications, following these countries' early adoption of the bail-in regime in the BRRD.

2.31 The Bank of England published its approach to bank resolution which gave an indication of how the reduction of a failing bank's liabilities might work in practice. The Bank of England will act if, in its opinion, a bank is failing, or is likely to fail, and there is not likely to be a successful private sector solution such as a takeover or share issue; a bank does not need to be technically insolvent (with liabilities exceeding assets) before regulatory intervention such as a bail-in takes place.

2.32 The combined effect of the BRRD and the UK's Deposit Guarantee Scheme Directive (DGSD) is to promote deposits of individuals and SMEs above those of public authorities, large corporates and financial institutions. Other EU countries, and eventually all other developed countries, are expected to adopt similar approaches in due course.

2.33 In December 2014 the Bank's Prudential Regulation Authority (PRA) stress tested eight UK financial institutions to assess their resilience to a very severe housing market shock and to a sharp rise in interest rates and address the risks to the UK's financial stability. Institutions which 'passed' the tests but would be at risk in the event of a 'severe economic downturn' were Lloyds Banking Group and Royal Bank of Scotland. Lloyds Banking Group, [whose constituent banks are on the Authority's lending list], is taking measures to augment capital and the PRA does not require the group to submit a revised capital plan. RBS, which is not on the Authority's lending list for investments, has updated plans to issue additional Tier 1 capital.

2.34 The European Central Bank also published the results of the Asset Quality Review (AQR) and stress tests, based on December 2013 data. 25 European banks failed the test, falling short of the required threshold capital by approximately €25 billion (£20 billion) in total – none of the failed banks featured on the Authority's lending list.

2.35 In October 2014 following sharp movements in market signals driven by deteriorating global growth prospects, especially in the Eurozone, Arlingclose advised a reduction in investment duration limits for unsecured bank and building society investments to counter the risk of another full-blown Eurozone crisis. Durations for new unsecured investments with banks and building societies were further reduced so for new unsecured investments with some UK institutions this was further reduced to 100 days in February 2015.

2.36 The outlawing of bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits rose relative to other investment options. The Authority included further options for investment diversification in the Treasury Management Strategy Statement for 2014/15. In keeping with the DCLG Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds and the use of call accounts.

2.37 As stated in the Revenue Monitoring reports the budgeted investment income for the year estimated at £0.86 million was unlikely to be achieved. The final income for the year was £0.54 million with the reduction due to:-

a) Low interest rates offered for investments and
b) The continuing policy of relying on internal borrowing to temporarily fund and thereby delay borrowing for the capital programme.

2.38 The average return on investments for 2014/15 was 0.5% (which compares with 0.5% for 2013/14). The UK Bank Rate was maintained at 0.5% throughout the year. The return on investments reflects prevailing market conditions and the objective of optimising returns commensurate with the principles of security and liquidity.

COMPLIANCE WITH PRUDENTIAL INDICATORS

2.39 The Authority confirms that it has complied with its Prudential Indicators for 2014/15, which were approved on 12 February 2014 as part of the Treasury Management Strategy Statement. Details can be found in the Appendix.

2.40 In compliance with the requirements of the CIPFA Code of Practice this report provides Members with a summary report of the treasury management activity during 2014/15. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

3.0 RELEVANT RISKS

3.1 The Council is responsible for treasury decisions and activity and none of these decisions are without risk. The successful identification, monitoring and control of risk are important and the main risks are:-

- Liquidity Risk (Inadequate cash resources).
- Market or Interest Rate Risk (Fluctuations in interest rate levels).
- Inflation Risk (Exposure to inflation).
- Credit and Counterparty Risk (Security of investments).
- Refinancing Risk (Impact of debt maturing in future years).
- Legal and Regulatory Risk.

4.0 OTHER OPTIONS CONSIDERED

4.1 There are no other options considered in this report.

5.0 CONSULTATION

5.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising out of this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising out of this report.

7.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

7.1 There are no outstanding previously approved actions.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 During 2014/15 there were one-off savings from borrowing activity of £2.3 million which included the use of internal funding so had a consequential impact on investment income which reduced by £0.3 million. Overall treasury management activities resulted in a saving of £2.0 million in 2014/15 and this sum has been returned to the General Fund balances.

8.2 There were no IT, staffing or asset implications arising out of this report.

9.0 LEGAL IMPLICATIONS

9.1 The Council's has adopted the CIPFA Code of Practice on Treasury Management. This requires the annual production of Prudential Indicators and a Treasury Management Strategy Statement and the reporting of treasury management activities at least twice a year.

10.0 EQUALITIES IMPLICATIONS

10.1 There are none arising out of this report and an Equality Impact Assessment (EIA) is not required.

11.0 CARBON REDUCTION & ENVIROENMENTAL IMPLICATIONS

11.1 There are none arising out of this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising out of this report.

13.0 RECOMMENDATIONS

13.1 That the Treasury Management Annual Report for 2014/15 be agreed.

13.2 That the Treasury Management Strategy (Minimum Revenue Provision policy) be amended.

13.3 That the transfer of the saving of £2.0 million from capital financing activities in 2014/15 to the General Fund balance be noted.

14.0 REASON FOR RECOMMENDATIONS

14.1 Wirral has adopted the CIPFA Code of Practice on Treasury Management ("the Code"), which includes quarterly reports to Members of treasury activity. This report is the year end review for 2014/15.

14.2 Under the Council's financial regulations any surplus resources are returned to balances and so used to support the delivery of other Council services.

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APPENDIX

Prudential Indicators 2014/15

REFERENCE MATERIAL

DCLG Local Authority Investment Guidance, 2004
DCLG Changes to the Capital Financing System Consultation, 2009
Code of Practice for Treasury Management in Public Services 2011
Prudential Code for Capital Finance in Local Authorities (Fully Revised Second Edition), CIPFA 2009.

SUBJECT HISTORY

Council Meeting	**Date**
Cabinet - Treasury Management and Investment Strategy 2014/15	12 February 2014
Cabinet - Treasury Management Performance Monitoring	11 September 2014
Cabinet - Treasury Management Performance Monitoring	06 November 2014

APPENDIX

PRUDENTIAL INDICATORS 2014/15

(a) Capital Financing Requirement (CFR)

Estimates of the Authority's cumulative maximum external borrowing requirement for 2014/15 to 2016/17 are shown in the table below:

Capital Financing Requirement	**31/03/2015 Actual £m**	31/03/2016 Estimate £m	31/03/2017 Estimate £m
General Fund	**337.8**	346.0	332.0

Gross Debt and the Capital Financing Requirement:

In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	**31/03/2015 Actual £m**	31/03/2016 Estimate £m	31/03/17 Estimate £m
Borrowing	**203.9**	215.6	211.2
Finance Leases	**0.0**	0.3	0.4
PFI liabilities	**52.8**	50.8	45.8
Total Debt	**256.7**	266.7	257.4
Borrowing in excess of CFR?	**No**	**No**	**No**

Total debt is expected to remain below the CFR during the forecast period.

(b) Authorised Limit and Operational Boundary for External Debt

The Operational Boundary for External Debt is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance leases and the Private Finance Initiative that are not borrowing but form part of the Authority's debt.

The Authorised Limit for External Debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

There were no breaches to the Authorised Limit and the Operational Boundary during 2014/15

	Operational Boundary (Approved) 31/03/2015 £m	Authorised Limit (Approved) 31/03/2015 £m	**Actual External Debt 31/03/2015 £m**
Borrowing	347.0	357.0	203.9
Other Long-term Liabilities	80.0	85.0	52.8
Total	**427.0**	**442.0**	**256.7**

(c) Upper Limits for Fixed and Variable Interest Rate Exposure

These allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on the portfolio of investments.

Interest Rate Exposure	**Fixed Rate of Interest**	**Variable Rate of Interest**	**Total**
Borrowings	£203.9m	£0m	**£203.9m**
Proportion of Borrowings	100%	0%	**100%**
Upper Limit	100%	100%	
Investments	£26.0m	£35.1m	**£61.1m**
Proportion of Investments	43%	57%	**100%**
Upper Limit	100%	100%	
Net Borrowing	**£177.9m**	**£-35.1m**	**£142.8m**
Proportion of Total Net Borrowing	124%	-24%	**100%**

(d) Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 31 Mar 15 £m	% of Fixed Rate Borrowing as at 31 Mar 15 %
Under 12 Months	80.0	0.0	7.5	3.7
12 Months and within 24 Months	50.0	0.0	8.0	3.9
24 Months and within 5 years	50.0	0.0	17.5	8.6
5 years and within 10 years	50.0	0.0	24.0	11.8
Over 10 years	100.0	20.0	147.0	72.1
Total			**204.0**	**100.0**

(e) Total principal sums invested for periods longer than 364 days

This indicator allows the Council to manage the risk inherent in investments longer than 364 days and for 2014/15 the limit was set at £30 million.

As at 31 March 2015 the Council had no investments longer than 364 days.

(f) Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and in particular, to consider the impact on Council Tax. The projections for 2015/16 and 2016/17 were reported to Cabinet on 10 February 2015.

Expenditure	**31/03/15 Actual £m**	31/03/16 Estimate £m	31/03/17 Estimate £m
General Fund	**32.5**	50.0	21.8

Capital expenditure has or will be funded as follows:

Capital Financing	**31/03/15 Actual £m**	31/03/16 Estimate £m	31/03/17 Estimate £m
Capital receipts	**3.9**	12.7	6.1
Government Grants	**21.8**	17.8	12.0
Revenue and Reserves	**0.8**	0.5	0.1
Unsupported borrowing	**6.0**	19.0	3.6
Total Funding	**32.5**	50.0	21.8

(g) Ratio of financing costs to net revenue stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The ratio is based on costs net of investment income.

Ratio of Finance Costs to net Revenue Stream	2014/15 Actual %	2015/16 Estimate %	2016/17 Estimate %
Ratio	7.83	9.41	10.02

(h) Incremental Impact of Capital Investment Decisions

This is an indicator of affordability that shows the impact of capital investment decisions on Council tax levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with the equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2014/15 Actual £	2015/16 Estimate £	2016/17 Estimate £
Increase in Band D Council Tax	3.63	10.26	13.04

(i) Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Authority adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
Council approved the revised CIPFA's Code of Treasury Management at its meeting of 12 February 2014.