WIRRAL


COUNCILLOR PHIL DAVIES

CABINET

18 JULY 2016

TREASURY MANAGEMENT

ANNUAL REPORT 2015/16

Councillor Phil Davies (Leader of the Council) said:

'The effective management of resources is vital to the success of the Council. Our proactive Treasury Management generated £4 million of savings during 2015/16. This is real cash which helps to finance services. This comes from sensible decisions regarding borrowing and the returns made on our cash flows from diversified investments in a range of safe institutions including banks, money market funds and local authorities.'

REPORT SUMMARY

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.

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.

Proactive Treasury Management activity resulted in savings of £4 million being made in 2015/16.

This is a key decision which affects all Wards within the Borough.

RECOMMENDATIONS

1. That the Treasury Management Annual Report for 2015/16 be agreed.

2. That the transfer of the saving of £4.0 million from capital financing activities in 2015/16 to the General Fund balance be noted.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 Wirral has adopted the CIPFA Code of Practice on Treasury Management ("the Code"), which includes regular update reports to Members of treasury activity. This report is the year-end review for 2015/16

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

2.0 OTHER OPTIONS CONSIDERED

2.1 No other options have been considered.

3.0 BACKGROUND INFORMATION

3.1 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."

3.2 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

3.3 **Growth & Inflation**: The UK economy slowed in 2015 with GDP growth falling to 2.3% from 3.0% the year before. Consumer Price Index (CPI) inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. CPI picked up to 0.3% year/year in February, but this was still well below the Bank of England's 2% inflation target.

3.4 **Employment:** The labour market continued to improve through 2015 and in Q1 2016, the latest figures (Jan 2016) showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses.

3.5 **Monetary Policy:** The Bank of England's MPC (Monetary Policy Committee) made no change to policy, maintaining the Bank Rate at 0.5% (in March it entered its eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn. In its *Inflation Reports* and monthly monetary policy meeting minutes, the Bank was at pains to stress and reiterate that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles.

3.6 **Global Influences:** Economic improvement in the US allowed the Federal Reserve to raise rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%. However central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation which included an increase in asset purchases (Quantitative Easing). The slowdown in the Chinese economy became a threat to the prospects for global growth as a whole.

3.7 **Market Reaction**: From June 2015 UK Government gilt yields were driven lower by the a weakening in Chinese growth, the knock-on effects of the fall in its stock market and the continuing fall in the price of oil and commodities. The heightened uncertainty surrounding domestic and US political issues which culminated in a significant volatility and in equities and corporate bond yields. 10-year gilt yields moved from 1.58% in March 2015 to a high of 2.19% in June before falling back and ending the financial year at 1.42%. The pattern for 20-year gilts was similar, the yield rose from 2.15% in March 2015 to a high of 2.71% in June before falling back to 2.14% in March 2016.

BORROWING AND DEBT MANAGEMENT

3.8 The Authority's underlying need to borrow as measured by the Capital Financing Requirement (CFR) at 31 March 2016 was £335.4 million.

	Balance on 01/04/2015 £000	Maturing Debt £000	New Borrowing £000	Balance on 31/03/16 £000
CAPITAL FINANCING REQUIREMENT	**337,800**			**335,400**
Short Term Borrowing	10,043	0	9,908	19,951
Long Term Borrowing	193,880	(8,016)	2,321	188,185
TOTAL BORROWING	**203,923**	**(8,016)**	**11,785**	**208,136**
Other Long Term Liabilities	52,804	(2,401)	0	50,403
TOTAL EXTERNAL DEBT	**256,727**	**(10,471)**	**11,785**	**258,539**

3.9 The £76.9 million difference between the Capital Financing Requirement and the level of External Debt is the extent to which the Authority is 'internally borrowed', where the Authority temporarily utilises its own resources rather than take on external borrowing, to generate large in year savings.

3.10 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.

3.11 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.

3.12 The chief objective when borrowing is 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.

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

3.14 As a consequence of the decision to borrow internally, the Authority's level of external borrowing has reduced significantly over recent years. The increase during 2015/16, as outlined in paragraph 3.8, is the result of the Authority undertaking temporary cash flow loans of £9.0 million over the year end period. If this was removed, longer term external borrowing at 31 March 2016 stood at £199.1 million.

3.15 With external borrowing reducing, the annual cost of financing this debt has also fallen year on year, generating savings, as illustrated below. This is despite additional annual Capital schemes being funded each year. These cost reductions, coupled with the deferral of further borrowing costs through internal borrowing have helped provide substantial savings. The 2016/17 budget has been reduced by over £2 million to reflect permanent Treasury Management savings.

Year	Longer Term Borrowing £m	Annual Interest Cost £m
2011/12	264.4	10.9
2012/13	247.1	10.5
2013/14	216.9	9.8
2014/15	203.9	9.4
2015/16	199.1	9.2

3.16 At 31 March 2016 the total external debt (as above) included £45 million for the Merseyside Residuary Body (MRB) debt which is administered by the Authority (£50 million at 31 March 2015). The financing cost of the MRB debt is shared with Merseyside other authorities

3.17 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	2.50	Fixed	9.00	28-Feb-89	Maturity
*PWLB	3.00	Fixed	4.88	01-Dec-98	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	**7.50**				

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

3.18 The average rate of interest paid on long term borrowings as at 31 March 2015 was 5.90% (5.89% for 2014/15) and the average life is 21 years, the same as for 2014/15. 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 £76.9 million incurs a nil borrowing cost at the expense of foregone investment income (currently approximately 0.6%) and if included would reduce the average rate.

3.19 Temporary, short dated loans, predominantly from other local authorities remain affordable and attractive for periods of low cash flow, with rates available between 0.3% to 0.5%. This option has been used during the year to cover short periods of cash flow need enabling our policy of internal borrowing to continue and to avoid taking out more expensive longer term loans.

3.20 During the year interest free loans totalling £2.8 million were entered into to finance highways lighting schemes.

Other Long-Term Liabilities

3.21 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.

3.22 As at 31 March 2016 the PFI liability was valued at £50.4 million to be repaid by 2031 and there was one finance lease with a total liability of £9,000 repayable within 1 year.

Minimum Revenue Provision (MRP)

3.23 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's Guidance (DCLG) on Minimum Revenue Provision most recently issued in 2012.

3.24 The broad aim of the DCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant. DCLG prescribe various options to calculate this repayment provision.

3.25 One of the options given regarding the calculation of MRP to be charged in a year is 'Option 3' which bases the charge on the asset life of the asset funded from unsupported borrowing. The method used to calculate the Council's MRP charge, under DCLG Option 3, is currently under review, which may result in a lower payment profile of the debt. The total amount repayable remains the same but it is spread over a longer repayment term.

3.26 In 2015/16 the decision to continue to use internal resources in lieu of borrowing for capital purposes, thereby reducing borrowing costs as outlined above and management of assets attracting MRP charges has generated savings of £4 million whilst complying with the Regulations. In future years, as cash flows diminish through use of reserve and/or interest rates rise, external borrowing will have to increase. The Treasury Management team will continue to proactively manage the Authority's cash flow to delay external borrowing for as long as is possible and prudent to generate savings.

INVESTMENT ACTIVITY

3.27 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 on 01/04/2015 £000**	**Amount Invested £000**	**Amount Matured £000**	**Balance on 31/03/2016 £000**	**Credit Rating**
UK Local Authorities	7,000	27,700	(21,700)	13,000	AA
Banks	5,000 0 13,000 2,000	51,435 9,037 57,150 2,000	(54,935) 9,037 (57,150) (4,000)	1,500 0 13,000 0	AA- A+ A A-
Building Societies	2,000 2,000 1,000	18,500 3,000 8,000	(17,500) (5,000) (8,000)	3,000 0 1,000	A A- Unrated
Money Market Funds	28,110	416,198	(427,713)	16,595	AAA
Corporate	0	600	0	600	Unrated
Funds Managed Externally	1,000	1,000	0	2,000	AAA
TOTAL INVESTMENTS	61,110	594,620	(605,035)	50,695	

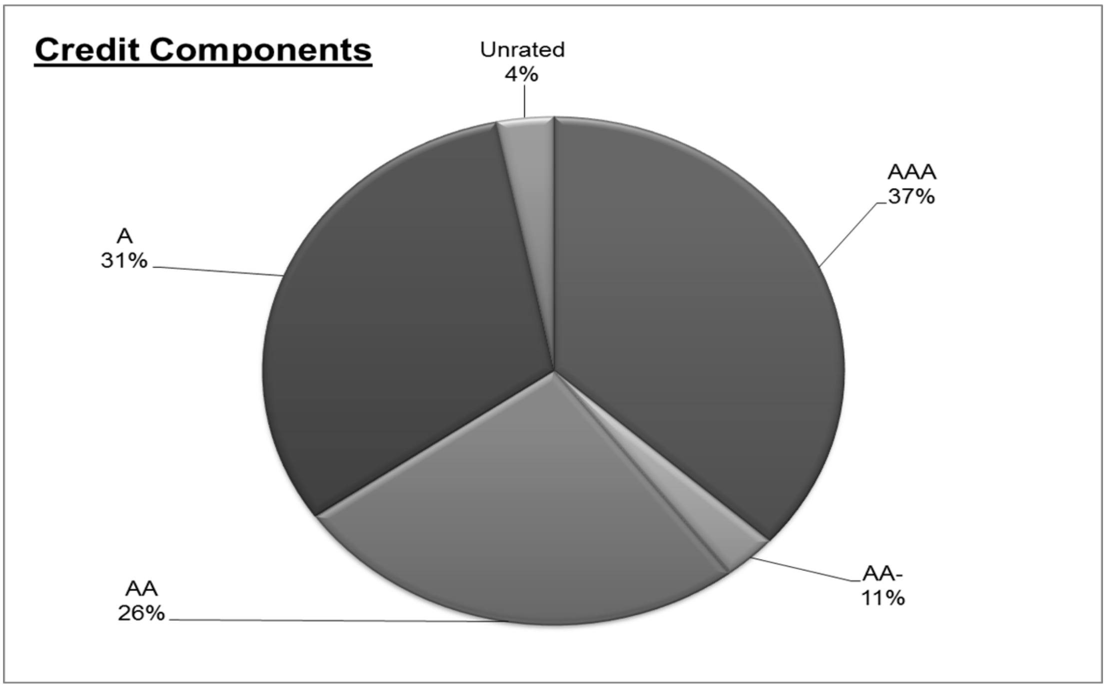
Note: Any unrated building Societies utilised have been independently assessed as credit worthy

3.28 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 2015/16 which defined "high credit quality" organisations as those having a long-term credit rating of BBB+ or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

3.29 Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating for 2015/16 was BBB+ across rating agencies Fitch, S&P and Moody's); Credit Default Swap (CDS) prices, financial statements, information on potential government support and reports in the quality financial press.

3.30 The following chart shows the credit composition of the Council's investment portfolio as at 31 March 2016:

Investment Portfolio – Credit Components



Note: *'Unrated' institutions are Building Societies that despite the absence of a formal rating, are deemed credit worthy due to analysis of their performance over a variety of credit metrics. These institutions are subject to a lower counterparty limit than those with formal credit ratings*

3.31 Investments with banks and building societies were primarily call accounts and fixed-rate term deposits. The maximum duration of any new investment was constantly reviewed in line with the prevailing credit outlook during the year as well as market conditions.

3.32 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 2015/16. In keeping with the

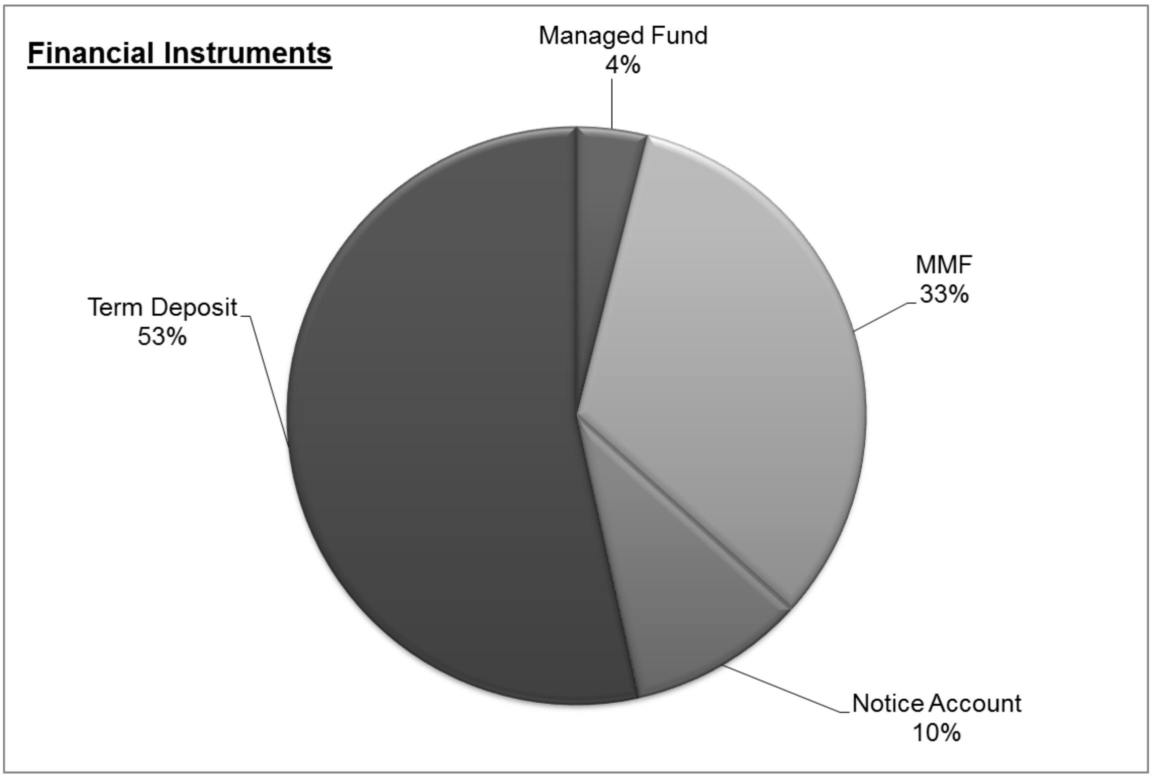
DCLG Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds and the use of call accounts.

3.33 The Authority also has investments in externally managed cash plus funds which allow the Authority to diversify into asset classes other than cash with the need to own and manage the underlying investments. The funds which are operated on a variable net asset value (VNAV) basis offer diversification of investment risk, coupled with the services of a professional fund manager; they also offer enhanced returns over the longer term but are more volatile in the short-term. The Authority's pooled fund investments are in the respective fund's 'distributing' share class which pay out the income generated.

3.34 Although money can be redeemed from the pooled funds at short notice, the Authority's intention is to hold them for the medium-term. Their performance and suitability in meeting the Authority's investment objectives are monitored regularly and discussed with Arlingclose.

3.35 For diversification purposes the Treasury Management team invest in a variety of counterparties and financial instruments to help mitigate counterparty and liquidity risks. A summary of the instruments invested in follows:

Investment Portfolio – Financial Instruments



3.36 The transposition of two European Union directives into UK legislation created hierarchy of burden regarding rescuing failing EU banks, depending on your investment category, a further factor to consider for local authorities and pension funds. During the year, all three credit ratings agencies reviewed their ratings to reflect the loss of government support for most financial institutions and the potential for loss given default as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions saw upgrades due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.

3.37 Throughout the course of the year all three ratings agencies (Moody's, Fitch and S&P) reviewed and amended their ratings on many institutions. As a result of this the Authority made the decision to amend its counterparties.

3.38 At the end of July 2015, Arlingclose advised an extension of recommended durations for unsecured investments in certain UK and European institutions following improvements in the global economic situation and the receding threat of another Eurozone crisis. A similar extension was advised for some non-European banks in September and certain non-rated UK building societies durations were extended and counterparty lists amended.

3.39 In December the Bank of England released the results of its latest stress tests on the seven largest UK banks and building societies which showed that the Royal Bank of Scotland and Standard Chartered Bank were the weakest performers. However, the regulator did not require either bank to submit revised capital plans, since both firms had already improved their ratios over the year.

3.40 The first quarter of 2016 was characterised by financial market volatility and a weakening outlook for global economic growth. In March 2016, following the publication of many banks' 2015 full-year results, Arlingclose advised the suspension of Deutsche Bank and Standard Chartered Bank from the counterparty list for unsecured investments. Both banks recorded large losses and despite improving capital adequacy this will call 2016 performance into question, especially if market volatility continues. Standard Chartered had seen various rating actions taken against it by the rating agencies and a rising CDS level throughout the year. Arlingclose will continue to monitor both banks.

3.41 As previously reported in the Revenue Monitoring reports the budgeted investment income for the year estimated at £0.86 million was not achieved. The final income for the year was £0.55 million with the reduction due to:-

a) The continuing policy of relying on internal borrowing to temporarily fund and thereby delay borrowing for the capital programme, (saving £4 million in 2015/16) which also reduces balances available to put into investments and

b) Low interest rates offered for investments

3.42 The average return on investments for 2015/16 was 0.58% (which compares with 0.5% for 2014/15); this however does not reflect the savings of 3.5% on amounts internally borrowed. The UK Bank Rate was maintained at 0.5% throughout the year. The return on investments, along with our policy of internally borrowing, reflects prevailing market conditions and the objective of optimising returns commensurate with the principles of security and liquidity.

COMPLIANCE WITH PRUDENTIAL INDICATORS

3.43 The Authority confirms that it has complied with its Prudential Indicators for 2015/16, which were approved on 24 February 2015 as part of the Treasury Management Strategy Statement. Details can be found in Appendix 1.

3.44 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 2015/16. 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.

4.0 FINANCIAL IMPLICATIONS

4.1 In the financial year 2015/16 proactive treasury management activities resulted in an in-year saving of £4 million and this sum has been returned to the General Fund balances.

4.2 External debt dropped to £199.1 million, a decrease of £65.3 million since 2012, despite additional annual capital commitments. This has contributed to the generation of substantial savings with the annual Treasury Management budget being permanently reduced by £3.4 million between 2012/13 and 2015/16.

4.3 Investment income has also helped to generate resources for service delivery.

4.4 The 2016/17 Treasury Management budget has been further reduced by over £2 million to reflect permanent savings achieved in relation to 2015/16 activity.

5.0 LEGAL IMPLICATIONS

5.1 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.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

7.1 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.

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been no specific consultation with regards to this report.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising directly from this report

REPORT AUTHOR: Sarah Cox
Principal Accountant
telephone: 0151 666 3421
email: sarahcox@wirral.gov.uk

APPENDICES

Appendix – Prudential Indicators 2015/16

SUBJECT HISTORY

Council Meeting	Date
Treasury Management Strategy Statement 2015-18 Treasury Management Annual Report 2014-15 Treasury Management Performance Monitoring	24 February 2015 13 July 2015 5 November 2015

APPENDIX

PRUDENTIAL INDICATORS 2015/16

(a) Capital Financing Requirement (CFR)

Estimates of the Authority’s cumulative maximum external borrowing requirement for 2015/16 to 2017/18 are shown in the table below:

Capital Financing Requirement	**31/03/2016 Actual £m**	31/03/2017 Estimate £m	31/03/2018 Estimate £m
General Fund	**335.4**	332.0	314.0

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	**31/03/2016 Actual £m**	31/03/2017 Estimate £m	31/03/18 Estimate £m
Borrowing	**208.1**	211.2	202.7
Finance Leases	**0.0**	0.3	0.4
PFI liabilities	**50.4**	48.3	45.8
Total Debt	**258.5**	259.8	248.9
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 2015/16.

	Operational Boundary (Approved) 31/03/2016 £m	Authorised Limit (Approved) 31/03/2016 £m	**Actual External Debt 31/03/2016 £m**
Borrowing	346.0	356.0	208.1
Other Long-term Liabilities	58.0	63.0	50.4
Total	**404.0**	**419.0**	**258.5**

(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	£208.1m	£0m	**£208.1m**
Proportion of Borrowings	100%	0%	**100%**
Upper Limit	100%	100%	
Investments	£26.7m	£24.0m	**£50.7m**
Proportion of Investments	53%	47%	**100%**
Upper Limit	100%	100%	
Net Borrowing	**£181.4m**	**£-24.0m**	**£157.4m**
Proportion of Total Net Borrowing	115%	-15%	**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 16	% of Fixed Rate Borrowing as at 31 Mar 16
	%	%	£m	%
Under 12 Months	80.0	0.0	20.3	9.8
12 Months and within 24 Months	50.0	0.0	9.2	4.4
24 Months and within 5 years	50.0	0.0	13.4	6.4
5 years and within 10 years	50.0	0.0	33.4	16.0
Over 10 years	100.0	20.0	131.8	63.3
Total			**208.1**	**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 2016 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 updated projections for 2016/17 and 2017/18 are included as a separate agenda item to this committee.

Expenditure	**31/03/16 Actual £m**	31/03/17 Estimate £m	31/03/18 Estimate £m
General Fund	**36.2**	59.0	17.7

Capital expenditure has or will be funded as follows:

Capital Financing	**31/03/16 Actual £m**	31/03/16 Estimate £m	31/03/17 Estimate £m
Capital receipts	**2.9**	14.8	2.4
Government Grants	**18.6**	22.1	13.1
Revenue and Reserves	**0.4**	1.2	0.1
Unsupported borrowing	**14.3**	20.9	2.1
Total Funding	**36.2**	59.0	17.7

(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	2015/16 Actual %	2016/17 Estimate %	2017/18 Estimate %
Ratio	7.59	10.0	10.5

(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	2015/16 Actual £	2016/17 Estimate £	2017/18 Estimate £
Increase in Band D Council Tax	0.42	13.04	2.84

(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 24 February 2015.