BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Head of Corporate Resources	**Report Number: JAC62**
To: Joint Audit and Standards Committee	**Date of meeting: 19 October 2015**

MID YEAR REPORT ON TREASURY MANAGEMENT 2015/16

1. Purpose of Report

1.1 The Code of Practice on Treasury Management requires local authorities to present a mid-year report on treasury management activity to those Members charged with scrutinising this area of activity. This report fulfils that requirement and sets out treasury management activity for the first half of 2015/16.

2. Recommendation to Council

2.1 That it be noted that Treasury Management activity for the first six months of 2015/16 was in accordance with the approved Treasury Management Strategy and that both Councils have complied with all Prudential Indicators for this period.

This recommendation is to each Full Council.

3. Financial implications

3.1 As outlined in this report.

4. Legal implications

4.1 There are no legal implications arising from this report.

5. Risk Management

5.1 This report is not directly linked with any of the Councils' Corporate / Significant Business Risks. Key Treasury Management risks are set out below:-

Risk description	Likelihood	Impact	Mitigation measures
Changes to the Bank of England base rate affecting borrowing / lending rates. The bank base rate is predicted to remain low throughout the year.	1 Rare or Never	2 Noticeable	Borrowing at fixed rates when rates are low. Regular review of long term versus short term rates.
Banks / building societies interest rate levels. These change to reflect economic conditions and affect lending rates.	2 Occasional	2 Noticeable	Daily treasury management activity includes looking at rates when investing surplus funds.

Risk description	Likelihood	Impact	Mitigation measures
Liquidity risk: access to cash.	2 Occasional	2 Noticeable	Investments in money market funds and call accounts can be accessed at short notice.

6. Consultations

6.1 Regular meetings have taken place with our Treasury advisors, Arlingclose, who also provide important updates on treasury management issues as they arise.

7. Equality Analysis

7.1 There are no equality and diversity implications, as the contents and recommendations of this report do not impact on those with protected characteristics.

8. Shared Service / Partnership Implications

8.1 This is a joint report on activity. Both Councils' treasury management strategy and operations are handled by the integrated in-house finance team.

9. Links to Joint Strategic Plan

9.1 The treasury management policy includes authorisation to make investments with organisations such as the Churches, Charities and Local Authorities Property Fund (CCLA) and Funding Circle and will help support the Councils through their aims and objectives set out in the Joint Strategic Plan, including ensuring the long term financial sustainability of the Council.

10. Executive Summary

10.1 The Treasury Management Strategies for each Council for 2015/16 were approved at Full Council, on 24 February 2015 for Babergh (BDC) and 26 February 2015 for Mid Suffolk (MSDC). Amendments to the Treasury Management Strategy were approved at Full Council on 28 July 2015 for BDC and 30 July for MSDC. These amendments will enable the Councils to put in place the cash investments set out in the July reports to Council.

The reports can be accessed on:

http://bdcdocuments.onesuffolk.net/assets/Uploads/Committees/Committee-Reports/Reports-2014-15/P100R.pdf

http://bdcdocuments.onesuffolk.net/assets/Uploads/Committees/Committee-Reports/Reports-2015-16/JAC54.pdf

10.2 The Joint Treasury Management outturn report for 2014/15 was presented to Members at the Joint Audit and Standards Committee on 17 August 2015.

10.3 The Councils set their Prudential Indicators in February 2015 as part of the Treasury Management Strategy Statement. Appendix D shows the position on key Prudential Indicators for the first six months of 2015/16.

The Prudential Indicators aim to ensure that the capital investments of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice.

Both Councils can confirm that they have complied with all Prudential Indicators for 2015/16 to date.

10.4 Other key points relating to activity for the first half of the year are set out below:-

- The UK economy has continued to grow in the first six months of 2015/16 with output growing at 0.4% in Q1 and at 0.7% in Q2.

- The annual CPI inflation rate briefly turned negative in April before returning to 0.1%, 0.00% and 0.1% in May, June and July respectively.

- The MPC (Monetary Policy Committee) has made no change to the Bank Rate of 0.5.

- Investment of surplus funds - as market conditions and credit ratings have changed during the year, institutions that the Councils invest with and the period of the investments are reviewed.

- Credit risk scores were within the benchmark A- credit ratings.

- MSDC short-term debt reduced by £6m due to income exceeding expenditure in the first half of the year, which is the normal cash flow profile.

- No new long-term external borrowing.

- At the end of August, BDC invested £5m with the CCLA Local Authorities Property Fund. This is a collective investment scheme with monies being invested in a portfolio of properties.

10.5 In relation to borrowing, Babergh expects to have sufficient internal resources to fund its capital programme until March 2016. However, Mid Suffolk’s estimated external borrowing requirement is up to £7.5m in 2015/16. This is to finance the capital programme in the year and to put in place the cash investments set out in the July reports to Council.

10.6 In terms of the investment of surplus funds, section 1.9 of Appendix C sets out the issues that are impacting on current and future activity:-

- All three credit rating agencies have reviewed their ratings in the six months to reflect the loss of government support for most financial institutions and the potential for varying loss given defaults as a result of new bail-in regimes in many countries. Many institutions have seen upgrades to their credit ratings due to an improvement in their underlying strength and an assessment that the level of loss given default is low.

10.7 In practice, the Councils do not have the size of deposit that interest the major banks and building societies so, on a daily basis, it is usually money market funds, short-term deposits and call accounts that are used to make short term investments.

11. Summary

11.1 This report meets the requirements of the CIPFA Code of Practice by providing Members with a summary report of the treasury management activity for the first half of 2014/15.

11.2 A prudent approach, in accordance with the approved strategy and the CIPFA Code of Practice, has continued in relation to investment activity, with priority being given to security and liquidity over yield.

11.3 Further information is provided in the Appendices A to E attached.

12. Appendices

Title	Loca
(a) Background, Economy and Outlook	Attached
(b) Debt Management	Attached
(c) Investment Activity	Attached
(d) Prudential Indicators	Attached
(e) Glossary	Attached

13. Background Documents

None.

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Appendix A: Background, Economy and Outlook

1. Background

1.1 Both Councils' Treasury Management Strategies for 2015/16 is underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.

1.2 The Code also recommends that Members are informed of Treasury Management activities at least twice a year. This report therefore ensures the Councils are embracing best practice in accordance with CIPFA's recommendations.

1.3 Treasury management is defined as: "The management of the local authority's 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."

1.4 In addition to reporting on risk management related to treasury activities, the Treasury Management Code also requires the Councils to report on any financial instruments entered into to manage treasury risks.

1.5 The instruments and the limits with individual counterparties approved in the 2015/16 Treasury Management Strategy (as amended in July 2015) of each Council are aligned and are as follows:

Type of instrument	BDC and MSDC limit
Deposits with banks and building societies	£1m
AAA rated money market funds	£2m
Deposits with other local authorities	£1m
Treasury bills	No limit
Debt Management Account Deposit Facility	No limit
Pooled Funds	£5m
Registered Providers	£1m
Corporates	£1m

1.6 The total limits for non-specified investments are shown in the table below:-

Non – Specified Investment Limits	BDC and MSDC limit
Total investments without credit ratings	£10m
Total non – specified investments	£10m
Total loans to unrated corporates	£1m

1.7 In terms of which banks and building societies are included on the Councils' counterparty list, the advice of our treasury management advisors Arlingclose is used. As market conditions and credit ratings change during the year, institutions are either taken off or put on the list of counterparties that we are happy to lend money to.

1.8 In practice, the Councils do not have the size of deposit that interests the major banks and building societies, so on a daily basis it is usually money market funds, short-term deposits and call accounts that are used to make short term investments.

2. UK Economy

2.1 The economy has remained resilient over the last six months. Although economic growth slowed in Q1 2015 to 0.4%, year/year growth to March 2015 was a relatively healthy 2.9%. Q2 2015 GDP growth bounced back and was confirmed at 0.7%, with year/year growth showing slight signs of slowing, decreasing to 2.6%. GDP has now increased for ten consecutive quarters, breaking a pattern of slow and erratic growth from 2009. The annual rate for consumer price inflation (CPI) briefly turned negative in April, falling to 0.1%, before returning to 0.1%, 0.0% and 0.1% in May, June and July respectively. In the August Quarterly Inflation Report, the Bank of England projected that GDP growth will continue around its average rate since 2013. The Bank of England's projections for inflation remained largely unchanged from the May report with them expecting inflation to gradually increase to around 2% over the next 18 months and then remain there in the near future. Further improvement in the labour market saw the ILO unemployment rate for the three months to April fall to 5.5%, although this ticked back up to 5.6% in subsequent months. In the August report, average earnings excluding bonuses for the three months to June rose 2.8% year/year.

2.2 The outcome of the UK general election, largely fought over the parties' approach to dealing with the consequences of the structural deficit and the pace of its removal, saw some very big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics.

2.3 The US economy slowed to 0.6% in Q1 2015 due to bad weather, spending cuts by energy firms and the effects of a strong dollar. However, Q2 GDP showed a large improvement at a revised 3.7% (annualised). This was largely due to a broad recovery in corporate investment alongside a stronger performance from consumer and government spending and exports. With the Fed's decision on US interest rate dependent upon data, GDP is clearly supportive. However it is not as simple as that and the Fed are keen to see inflation rise alongside its headline economic growth and also its labour markets. Markets remained split between predicting a rate rise in September or December.

3. Market Reaction

3.1 Equity markets initially reacted positively to the pickup in the expectations of global economic conditions, but were tempered by the breakdown of creditor negotiations in Greece. China led stock market turmoil around the globe in August, with the FTSE 100 falling by around 8% overnight on 'Black Monday'. Indices have not recovered to their previous levels but some improvement has been seen. Government bond markets were quite volatile with yields rising (i.e. prices falling) initially as the risks of deflation seemingly abated. Thereafter yields fell on the outcome of the UK general election and assisted by reappraisal of deflationary factors, before rising again. Concerns around China saw bond yields dropping again through August. Bond markets were also distorted by the size of the European Central Bank's QE programme, so large that it created illiquidity in the very markets in which it needed to acquire these bonds, notably German government bonds (bunds) where yields were in negative territory.

Appendix B: Debt Management

1.1 The table below shows the level of activity on short and long term borrowing between 1st April and 30th September 2015:-

BDC	Balance 01/04/15 £'000	New borrowing £'000	Debt repaid £'000	Balance 30/09/15 £'000	Increase/ (Decrease) £'000
Short term	0	0	0	0	0
Long term	87,797	0	(250)	87,547	(250)
Total borrowing	87,797	0	(250)	87,547	(250)

MSDC	Balance 01/04/15 £'000	New borrowing £'000	Debt repaid £'000	Balance 30/09/15 £'000	Increase/ (Decrease) £'000
Short term	12,000	13,500	(19,500)	6,000	(6,000)
Long term	76,183	0	(275)	75,908	(275)
Total borrowing	88,183	13,500	(19,775)	81,908	(6,275)

1.2 The tables above show that all new borrowing for Mid Suffolk for the first six months of 2015/16 has continued to be short term in order to take advantage of the relatively low rates. The level of short-term borrowing has reduced though, as it normally does in the first 6 months of the year, due to Council Tax and other income exceeding expenditure.

1.3 The reduction in temporary debt has only slightly changed the total debt portfolio of Mid Suffolk, as shown below:

	BDC	MSDC
Average Interest Rate 31/03/15 (%)	3.27	3.35
Average Interest Rate 30/09/15 (%)	3.28	3.43
Average life of loans (years)	17	21

1.4 Babergh did not borrow any monies short term between April and September 2015. Mid Suffolk borrowed short term monies from other local authorities between April and September 2015 at interest rates between 0.40% and 0.45%. The total of short term loans held by Mid Suffolk at 30 September 2015 was £6m.

1.5 **LOBOs:** Mid Suffolk hold £4m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. Mid Suffolk acknowledges there is an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options.

1.6 **PWLB Certainty Rates**: The Councils qualify for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) for a 12 month period from 1st November 2014. In April both Councils submitted applications to the CLG along with the 2015/16 Capital Estimates Return to access this reduced rate for a further 12 month period from 1st November 2015.

1.7 Where possible both Councils make use of internal resources (surplus funds) instead of external borrowing to fund their capital expenditure as this lowers the overall treasury risk by reducing both external debt and temporary investments.

1.8 Babergh expects to have sufficient internal resources to fund its capital programme until March 2016.

1.9 Mid Suffolk is planning to replace previous internal borrowing with short term external borrowing. In consequence, Mid Suffolk expects to borrow up to £7.5m in the six months to 31 March 2016 to finance the capital programme and to put in place the cash investments set out in the July reports to Councils.

1.10 The Councils' chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. As short term interest rates have remained, and are likely to remain lower than long-term rates at least over the next two years, it is likely to be more cost effective for Mid Suffolk to borrow short term loans.

Appendix C: Investment Activity

1.1 The Guidance on Local Government Investments in England gives priority to security and liquidity and the Councils' aim is to achieve a yield in line with these principles.

1.2 The table below shows the activity on investments between 1 April 2015 and 30 September 2015. During this period both Councils have only made short term investments.

Babergh Investments	Balance on 01/04/2015 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 30/09/2015 £m
Short term Investments (call accounts, deposits) Banks and Building Societies with ratings of A- or higher Local Authorities	£3.5m	£8m	(£8m)	£3.5m
UK Government: DMADF Treasury Bills	£3.5m	£52.3m	(£53.8m)	£2m
Money Market Funds	£4m	£20.4m	(£18.8m)	£5.6m
Pooled Funds CCLA Property fund		£5m		£5m
TOTAL INVESTMENTS	£11m	£85.7m	(£80.6m)	£16.1m
Increase/ (Decrease) in Investments £m				£5.1m

Mid Suffolk Investments	Balance on 01/04/2015 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 30/09/2015 £m
Short term Investments (call accounts, deposits) Banks and Building Societies with ratings of A- or higher Local Authorities	£0.75m	£0.55m	(£0.3m)	£1m
UK Government: DMADF Treasury Bills		£28.5m	(£26.5m)	£2m
Money Market Funds	£1m	£20.8m	(£19.7m)	£2.1m
TOTAL INVESTMENTS	£1.75m	£49.85m	(£46.5m)	£5.1m
Increase/ (Decrease) in Investments £m				£3.35m

1.3 Investments held by Babergh increased from £11m at 1 April 2015 to £16.1m at 30 September 2015. Interest receivable for the period was £28,329 and the average interest rate was 0.40%.

1.4 Investments held by Mid Suffolk decreased from £1.75m at 1 April 2015 to £5.1m at 30 September 2015. Interest receivable for the period was £10,661 and the average interest rate was 0.40%.

1.5 ***Budgeted Income and Outturn***: The UK Bank Rate has been maintained at 0.5% since March 2009 and is not expected to rise until 2016/17. Short-term money market rates have remained at very low levels for investments, (see table below). The anticipated interest receivable for 2015/16 is as follows:

£'000	**BDC**	**MSDC**
Average money market rate	0.42%	0.45%
Budget for 2015/16	17	14
Predicted Outturn for 2015/16	169	115

Note - The predicted outturn reflects new investments within the CCLA property fund with a current forecast interest rate of 4.8% for the second half of the year.

1.6 ***Security of capital***: This remains the Councils main investment objective. This has been maintained by following the Councils counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16. New investments can be made with the following institutions and instruments for both councils unless specified otherwise:-

- Other Local Authorities;
- AAA-rated Stable Net Asset Value Money Market Funds;
- Deposits with banks and building societies;
- Deposits with the Debt Management Account Deposit Facility;
- Treasury Bills; and
- Pooled Funds.

1.7 Counterparty credit quality is assessed and monitored with reference to:-

- Credit ratings, the Councils minimum long-term counterparty rating of A- (or equivalent) across rating agencies Fitch, Standard and Poor's and Moody's;
- credit default swaps;
- GDP of the country in which the institution operates;
- the country's net debt as a percentage of GDP;
- sovereign support mechanisms/potential support from a well-resourced parent institution;
- Share price.

1.8 Credit (Security) Risk: The aim is to have an average credit rating of A- or higher, with a score of 7 or lower, to reflect the current investment approach with the main focus being on security of the investment.

BDC	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/2015	3.38	AA	3.34	AA
30/06/2015	3.87	AA-	2.91	AA

MSDC	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/2015	5.30	A+	5.30	A+
30/06/2015	4.79	A+	2.31	AA+

Information at 30/09/15 not available at the time the report was written.

Scoring

Value weighted average reflects the credit quality of investments according to the size of the deposit. Time weighted average reflects the credit quality of investments according to the maturity of the deposit.

AAA = highest credit quality = 1
D = lowest credit quality = 26

1.9 ***Investment/Counterparty Update:*** All three credit ratings agencies have reviewed their ratings in the six months to reflect the loss of government support for most financial institutions and the potential for varying loss given defaults as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions have seen upgrades due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.

Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS) to BBB+ from A, Deutsche Bank to A from A+, Bank Nederlandse Gemeeten to AA+ from AAA and ING to A from A+. JP Morgan Chase and the Lloyds Banking Group however both received one notch upgrades.

Moody's concluded its review in June and upgraded the long-term ratings of Close Brothers, Standard Chartered Bank, ING Bank, Goldman Sachs International, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thueringen.

S&P reviewed UK and German banks in June downgrading Barclays' long-term rating to A- from A. S&P has also revised the outlook of the UK as a whole to negative from stable, citing concerns around a planned referendum on EU membership and its effect on the economy.

At the end of July, Arlingclose advised 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.

Appendix D : Prudential Indicators

1.1 Prudential Indicators 2015/16

The Local Government Act 2003 requires Councils to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investments of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Councils have fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

1.2 Estimates of Capital Expenditure

The Councils' planned capital expenditure and financing may be summarised as follows:

BDC	31/03/2015 Actual £m	31/03/2016 Estimate £m
General Fund	2.9	33.7
HRA	3.7	10.5
Total Expenditure	**6.6**	**44.2**
Capital Receipts	0.6	0.6
Grants and contributions	0.5	0.3
Reserves	0.2	2.9
Revenue	3.2	6.9
Borrowing	2.1	33.5
Total Financing	**6.6**	**44.2**

MSDC	31/03/2015 Actual £m	31/03/2016 Estimate £m
General Fund	3.5	32.7
HRA	5.0	7.5
Total Expenditure	**8.5**	**40.2**
Capital Receipts	1.8	1.8
Grants and contributions	0.3	0.2
Reserves	2.6	5.3
Revenue	1.3	2.2
Borrowing	2.5	30.7
Total Financing	**8.5**	**40.2**

1.3 Estimates of Capital Financing Requirement

BDC	31/03/2015 Actual £m	31/03/2016 Estimate £m
General Fund	9.8	42.6
HRA	85.5	84.4
Total CFR	**95.3**	**127.0**

MSDC	31/03/2015 Actual £m	31/03/2016 Estimate £m
General Fund	16.7	46.2
HRA	86.8	86.8
Total CFR	**103.5**	**133.0**

Both Councils are well within the approved capital financing requirement in 2015/16.

1.4 Authorised Limit and Operational Boundary for External Debt

The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached. The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent, but not worst case scenario without the additional headroom included within the Authorised Limit. The Authorised Limit and Operational Boundary for 2015/16 are as follows:

	Authorised Limit £m	**Operational Boundary £m**	**Peak Borrowing up to 30/09/15 £m**
BDC	130	127	87,797
MSDC	139	136	87,183

The Section 151 Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary in the period to end of September.

1.5 Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

The upper limits on fixed and variable rate exposures expressed as the amount of net principal borrowed (loans borrowed less amounts invested) are shown in the table below.

Limits for 2015/16 £m	BDC	MSDC
Upper limit on fixed interest rate exposure	127	136
Actual 30/09/2015	88	76
Compliance with limits:	Yes	Yes
Upper limit on variable interest rate exposure	20	40
Actual 30/09/2015	(17.3)*	0.2
Compliance with limits:	Yes	Yes

* Investments only at variable rates.

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

1.6 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.

BDC Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 30/09/15 £000s	% Fixed Rate Borrowing as at 30/09/15	Compliance with set limits?
Under 12 months	50	0	500	0.57	Yes
12 to < 24 months	50	0	500	0.57	Yes
24 months to < 5 years	50	0	1,500	1.71	Yes
5 years to <10 years	100	0	300	0.34	Yes
10 years and above	100	0	84,747	96.81	Yes

MSDC Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 30/09/15 £000s	% Fixed Rate Borrowing as at 30/09/15	Compliance with set limits?
Under 12 months	50	0	6,371	7.78	Yes
12 to < 24 months	50	0	1,100	1.34	Yes
24 months to < 5 years	50	0	900	1.1	Yes
10 years and above	100	0	73,537	89.78	Yes

1.7 Total Principal Sums Invested for Periods Longer than 364 Days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limit on the total principal sum invested to final maturities beyond the period end are:-

BDC and MSDC	**2015/16 £m**
Limit on principal invested beyond year end	2
Actual	0

1.8 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, net of investment income.

Babergh District Council

Ratio of Financing Costs to Net Revenue Stream	**2014/15 Actual %**	**2015/16 Estimate %**
General Fund (including Delivery Plan Projects 2015/16)	3.06%	11.52%
HRA	18.06%	17.35%

Mid Suffolk District Council

Ratio of Financing Costs to Net Revenue Stream	**2014/15 Actual %**	**2015/16 Estimate %**
General Fund (including Delivery Plan Projects 2015/16)	5.98%	15.12%
HRA	22.01%	22.12%

1.9 Incremental Impact of Capital Investment Decisions

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

Babergh District Council

Incremental Impact of Capital Investment Decisions	**2015/16 Estimate £**
General Fund - increase in annual Band D Council Tax	8.34
HRA - increase in average weekly rents	9.42

Mid Suffolk District Council

Incremental Impact of Capital Investment Decisions	**2015/16 Estimate £**
General Fund - increase in annual Band D Council Tax	10.31
HRA - increase in average weekly rents	-3.81

Appendix E

Glossary of Terms

Annuity	Annuity or Equal Repayments. Fixed rate loans repayable by fixed half-yearly instalments to include principal and interest.
CFR	Capital Financing Requirement. The underlying need to borrow to finance capital expenditure.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the leading professional accountancy body for public services.
CPI	Consumer Price Index. This measures changes in the price level of consumer goods and services purchased by households.
DMADF	Debt Management Account Deposit Facility.
EIP	Equal Instalments of Principal. Fixed rate loans repayable by equal half-yearly instalments of principal together with interest on the balance outstanding at the time.
HRA	Housing Revenue Account. The statutory account to which are charged the revenue costs of providing, maintaining and managing Council dwellings. These costs are financed by tenants' rents.
LOBO	Lender's Option Borrower's Option. This is a loan where the lender has certain dates when they can increase the interest rate payable and, if they do, the Council has the option of accepting the new rate or repaying the loan.
MPC	Monetary Policy Committee – A committee of the Bank of England which meets each month to decide the official interest in the UK. It is also responsible for other aspects of the Government's monetary policy framework such as quantitative easing and forward guidance.
PWLB	Public Works Loan Board - offers loans to local authorities below market rates.
T Bills	Treasury Bill. A short term Government Bond.