Help Sheet: Summary Sheet

Navigating the Arlingclose Online Spreadsheets

Purpose

This worksheet checks for errors, allows the user to select various output options, and then displays various output tables. There are two output charts on the following worksheets.

Error checking

There are three error checks in cells A1:A8, where errors will be highlighted in bold red font. The tables and chart may display incorrectly if there are errors indicated.

- *Balance sheet error* indicates that the balance sheet has been entered incorrectly and does not sum to zero. This should be corrected on the Balance sheet worksheet.

- *CFR error* indicates that the loans CFR on the balance sheet (CFR plus other debt liabilities) does not equal the loans CFR calculated on the Capital worksheet. See here for help on CFR balancing.

- *Borrowing error* indicates that the borrowing on the balance sheet (cell H56) does not equal the year-end borrowing calculated on the Borrowing workbook (cell W3). This should be corrected either on the Balance sheet worksheet or the separate Borrowing spreadsheet. Make sure to refresh the workbook links from the Data menu.

Options

The options available are:

- *Benchmark* – most authorities will use the liability benchmark, but net investors may find the asset benchmark option provides more useful tables and charts.

- *Data* – housing authorities can select GF & HRA, GF only or HRA only display options for the tables and charts (option not available if no HRA).

- *Years* – you may select between 5 and 50 years for the tables and charts

- *Scenarios* – select which scenarios you wish to include in the tables and charts – click here for more information on scenarios.

- *MRP* – select "Yes" to include the cost of MRP in the cost table and chart

- *FIAA* – select "Yes" to include movements in the FIAA in the cost table and chart, reflecting the amortisation of premiums and discounts

- *Range* – the cost table and chart include a range of interest rates higher and lower than the market forecast. Choose between a straight +/- one percentage point, one standard deviation, or 0.672 of a standard deviation which gives the central 50% range of probabilities on a normal distribution. We assume a lognormal distribution of interest rate probabilities with a minimum rate of -1%, which reflects the fact that there is more scope for interest rates to rise than fall.

- *Margin above SONIA* – the figures you enter here are applied to the cost of new investments and borrowing in the cost table and chart.

Tables

There are five tables on this worksheet

The *Position at 31 March* table shows:

- *Loans CFR*, calculated from the Capital worksheet.

- *External borrowing*, calculated from the Borrowing spreadsheet – this should only show existing loans plus forward deals to which the authority is committed.

- Internal (over) borrowing, which is the difference between the loans CFR and external borrowing – a positive number indicates internal borrowing, a negative number indicates borrowing above the loans CFR.

- *Balance sheet resources*, calculated from the Resources worksheet.

- Investments (new borrowing), which is minus the sum of internal borrowing and balance sheet resources – a positive number indicates an investment balance while a negative number indicates a need to borrow.

- *Treasury investments* – this is the higher of existing fixed term treasury investments, investments calculated above and the liquidity allowance (see below).

- *New borrowing* – this is the cumulative new borrowing required to maintain the above level of treasury investments.

If you have selected the option for <u>liability benchmark</u>, you will see:

- *Net loans requirement* – this is the forecast level of net borrowing, calculated as external borrowing minus treasury investments, or alternatively as loans CFR minus balance sheet resources. A positive number indicates the level of borrowing needed for zero investments.

- *Liquidity allowance* – an estimate of the minimum level of short-term investments needed to provide an adequate, but not excessive, level of liquidity for daily cashflow management. This is taken from row 9 of the Resources worksheet. Not applicable to the HRA.

- *Liability benchmark* – calculated as net loans requirement plus liquidity allowance. The liability benchmark represents the lowest risk level of borrowing, taking into account credit, liquidity and market risks.

If you have selected the option for <u>asset benchmark</u>, you will see:

- *Net investment requirement* – this is the forecast level of net investment, calculated as treasury investments minus external borrowing, or alternatively as balance sheet resources minus loans CFR. A positive number indicates the level of investments held with no borrowing.

- *Liquidity allowance* – an estimate of the minimum level of short-term investments needed to provide an adequate, but not excessive, level of liquidity for daily cashflow management.

- *Asset benchmark* – calculated as net investment requirement minus liquidity allowance. The asset benchmark represents the lowest risk level of long-term investments.

The *Cash flow* table shows the reasons for the movement in the Investments (new borrowing) row of the above table:

- *Capex increasing Loans CFR* shows the new debt-funded capital expenditure for the year. This is calculated from columns C and E of the Capital worksheet.

- *MRP on Loans CFR* (Loans fund repayments in Scotland) shows the fall in the Loans CFR due to MRP. This is the sum of columns K to BH for the relevant rows of the Capital worksheet.

- *Change in balance sheet resources* is calculated taken the Resources worksheet.

- *Maturing loans* are calculated from the Borrowing workbook.

The *Net cost* table estimates the treasury costs in future years, based on the above cash flow. The central "cost at market forecast rates" includes:

- Interest payable on existing fixed rate loans at that fixed rate

- Interest payable on existing variable rate loans, assuming rates move in line with market expectations for SONIA

- Interest payable on existing LOBO loans, assuming no change in the interest rate

- Interest payable on new loans, at the market expected rate for SONIA plus the margin in cell M3

- Interest receivable on existing long-term fixed rate investments at that fixed rate

- Interest receivable on existing long-term variable rate investments, assuming rates move in line with market expectations for SONIA

- Interest receivable on existing short-term and new investments, at the market expected rate for SONIA plus the margin in cell M5

- Where the option is selected in cell J3, minimum revenue provision or loans fund repayments

- Where the option is selected in cell J5, movements in the financial instruments adjustment account, representing amortised premiums and discounts

The "cost at lower interest rates" includes the same amounts, but where SONIA follows a lower forward path.

The "cost at higher interest rates" includes the same amounts, but where SONIA follows a higher forward path. It also assumes the rate of interest payable on LOBOs increases in line with the higher path.

The following table shows the higher, central and lower *interest rates* used in the net cost table. The central rate is the current market forecast for SONIA. The higher and lower forecasts depend on the option selected in cell J7.

The *Scenario impact* table shows the total additional cost of all the scenarios selected in cells G3:G7 compared with no scenarios.

Liability Benchmark Chart

This chart is designed to meet the requirements of the CIPFA Treasury Management Code for the liability benchmark treasury management prudential indicator. You can set the range of the x axis in cell D7 on the Summary worksheet.

If you have selected liability benchmark in cell D3 on the Summary worksheet, it comprises:

- Fixed rate, LOBO and variable rate borrowing as areas, showing loans maturing over time. This data comes from the Borrowing workbook.

- Loans CFR, liability benchmark and net loans requirement from the Position at 31 March table on the Summary worksheet.

If you have selected asset benchmark in cell D3 on the Summary worksheet, it comprises:

- Fixed and variable rate long-term investments as areas, showing investments maturing over time. This data comes from the Investments workbook.

- Net investment requirement and asset benchmark from the Position at 31 March table on the Summary worksheet.

To copy the chart for use in another application, such as your Treasury Management Strategy report, you will need to use a screenshot or snipping tool. Unfortunately, you cannot copy directly from a protected chart.

Cost Chart

This chart shows the three cost projections from the net cost table on the Summary worksheet. You can set the range of the x axis in cell D7 on the Summary worksheet.

To copy the chart for use in another application, such as your Treasury Management Strategy report, you will need to use a screenshot or snipping tool. Unfortunately, you cannot copy directly from a protected chart.

More Help

Further help sheets are available at https://www.arlingclose.com/insights/help-sheets.

If you have any further queries, please email the Arlingclose team at treasury@arlingclose.com.

Arlingclose Limited
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