	TREASURY MANGEMENT
1	On the 31st March 2019, the Authority had a net borrowing need of £118M arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR) while useable reserves and working capital represent the underlying resources available for investments. The year-on-year position is shown in the table below:
2	**Table 1: Balance Sheet Summary**

	31-Mar-18 Actual £M	Movement Forecast £M	31-Mar-19 Actual £M
General Fund CFR	322.03	11.99	334.02
Housing CFR	157.92	4.81	162.73
Total CFR	**479.95**	**16.80**	**496.75**
Less Other Debt Liabilities*	(73.21)	2.14	(71.07)
Loans CFR	**406.74**	**18.95**	**425.69**
Less External Borrowing**	(251.16)	4.47	(246.69)
Internal (over) Borrowing	**155.58**	**23.42**	**178.99**
Less Usable Reserves	(146.28)	(8.00)	(154.28)
Less Working Capital Surplus	83.35	9.59	92.94
Net Borrowing or (Investments)	**92.65**	**25.01**	**117.66**

3	The Council's strategy was to minimise borrowing to below its Capital Financing Requirement (CFR), the difference representing balances, reserves, provisions and working capital. This approach lowers interest costs, reduces credit risk and relieves pressure on the Council's counterparty list. The Authority's strategy is therefore to maintain borrowing and investments below their underlying levels in order to reduce risk and keep interest costs low which has resulted in an increase of our internal borrowing of £23M as shown in the table above.
4	The differential between debt costs and investment earnings continued to be acute, resulting in the use of internal resources in lieu of borrowing often being the most cost effective means of financing capital expenditure. As a result the average rate for repayment of debt (at 3.36%) is lower than that budgeted.
5	No new long term loans were taken during the year in line with the current Treasury Strategy to continue using short term debt whilst interest rates are predicted to remain relatively low. In achieving interest rate savings the Council is exposed to interest rate risk by taking out variable debt. This was and continues to be very financially favourable in current markets but does mean that close monitoring of the markets is required to ensure that the Council can act quickly should the situation begin to change.
6	As at the 31 March 2019 the Council used £179M of internal resources in lieu of borrowing which has been the most cost effective means of funding past capital expenditure to date. This has lowered overall treasury risk by reducing both external debt and temporary investments.

7	**Investment** The council has held significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2018/19 the council's investment balances have ranged between £52.8M and £98.7M. Movement in year is summarised in the table below:
8	**Table 2: Investments**

	Balance on 01/04/2018 £M	Investments Repaid £M	New Investments £M	Balance on 31/03/2019 £M	(Increase)/ Decrease in Investment for Year £M	Average Life of Investments Life
Notice Account	(3)	3	0	0	3	
Covered Bonds (secured)	(7)	2		(5)	2	105 days
Multi - National Bonds (not subject to bail in)	(3)			(3)	0	3.47 years
Money Market Funds and Call Account	(22)	355	(359)	(26)	(4)	1 day
Government & Local Authority	(10)	10	(9)	(9)	1	10 days
Pooled Funds (CCLA)	(27)			(27)	0	Unspecified
Total Investments	**(72)**	**370**	**(368)**	**(70)**	**2**	

9	Current Investment strategy is to continue to diversify into more secure and/or higher yielding asset classes and move away from the increasing risk and low returns gained from short term unsecured bank investments. Returns during 2018/19 were £1.67M at an average rate of 4.05%. Security of capital has remained the council's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its TM Strategy Statement for 2018/19. The council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio, which is supplied by our advisors. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. The actual credit rating achieved was AA-, above the target level of A.
10	The council has invested in both direct commercial property investments (currently worth £28.3M) and indirect commercial property (worth £27M), via a pooled fund arrangement but did not add to these investments during 2018/19. To assist with the sustainability of council finances, and cover future budget shortfalls, the benefits and risks from making further investments for commercial purposes will be reviewed and consideration giving to making additional investments.