Investment and Borrowing Strategy 2020/21

Committee considering report:	Council
Date of Committee:	03 May 2020
Portfolio Member:	Councillor Ross Mackinnon
Date Portfolio Member agreed report:	
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	C3809

1. Purpose of the Report

This report sets out the proposed Investment and Borrowing Strategy for 2020/21, as required by the Local Government Act 2003.

2. Recommendation

To agree and adopt the proposed Investment and Borrowing Strategy for 2020/21.

3. Implications and Impact Assessment

Implication	Commentary
Financial	Investment Income and Debt Charges form part of the Council's Medium Term Financial Strategy (MTFS). The Council's borrowing limits are proposed to be increased by £40m in total over the next three years to allow for additional borrowing to fund proposed capital investment in line with the Capital Strategy and Programme.
Human Resource:	Not applicable
Legal:	The Investment and Borrowing Strategy for the new financial year is in accordance with the Local Government Act 2003 and CIPFA's Prudential Code and Code of Practice for Treasury Management
Risk Management:	The policy is intended to ensure that all borrowing and investment is undertaken with a view to minimising risk and exposure to financial loss.
Property:	Not applicable
Policy:	The Investment and Borrowing Strategy is closely related to the Capital Strategy, as it governs the criteria for borrowing to fund capital spending. This strategy is also closely linked to the Council's Property Investment Strategy. The Property Investment Strategy which operates different criteria for investment from those proposed in this report, which relate only to cash investments. However the

	borrowing strategy set out in this report also applies to borrowing which may be undertaken to fund investment in property.			
Implication	**Positive**	**Neutral**	**Negative**	**Commentary**
Equalities Impact:				
Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		No impact
Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		No impact
Environmental Impact:		**X**		No impact
Health Impact:		X		No impact
ICT or Digital Services Impact:		**X**		No impact
Council Strategy Priorities or Business as Usual:		***X***		Business as Usual
Other				
Data Impact:		X		No impact
Consultation and Engagement:	Joseph Holmes, Executive Director for Resources, s151 Officer. Andy Walker – Head of Finance and Property			

4. Executive Summary

4.1 This report sets out the framework within which the Treasury Management Team will conduct the Council's investments and borrowing for the forthcoming financial year. It recommends prudential limits for investments 2020/21 and borrowing limits for the next three years. It also provides a forecast of the Council's long term borrowing requirements.

4.2 The Prudential Code requires authorities to look at capital and investment plans in light of overall organisation strategy and resources to ensure that decisions are made with sufficient regard to the long term financing implications and risks to the Council. To demonstrate that local authorities have fulfilled these objectives, the code sets out a number of indicators, the code does not include suggested indicative limits or ratios. Local Authorities are to set their own limits and ratios, subject to controls under section 4 of the Local Government Act 2003. The Council's capital programme is a key driver of the treasury management activity. The output of the capital programme is reflected in the prudential indicators detailed in section 5.8 – 5.15 of this report.

4.3 The main aim of the Treasury Management function is to maximise the return on the Council's investments while ensuring sufficient liquidity and minimising the risks to the Council's resources. All investment and borrowing decisions are therefore governed by the following principles (in order of priority as shown):

(1) Security (minimising risk)

(2) Liquidity (availability of sufficient funds on a day to day basis to support the Council's business)

(3) Yield (return on investment).

4.4 Currently the Treasury Management function is undertaken in house and overseen by the Treasury Management Group who are responsible for the Implementation of the Investment and Borrowing Strategy. Treasury performance reporting to Executive is undertaken mid-year and at outturn annually. For future financial years special treasury management advice and support is to be commissioned from external specialists to ensure the Council remains compliant with the latest legislative amendments, maximises opportunities for generation of yields from investments whilst maintaining a prudent strategy that operates within the Council's risk appetite.

5. Supporting Information

Introduction

5.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

5.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

5.3 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The current strategy represents an appropriate balance between risk management and cost effectiveness. However, it is proposed for future financial years that special treasury management advice and support is commissioned from external specialists to ensure the Council remains compliant with the latest legislative amendments, maximises opportunities for generation of yields from investments whilst maintaining a prudent strategy that operates within the Council's risk appetite.

Background / Economic Outlook

5.4 The Bank of England Monetary Policy Report for November 2019 states that the UK economy has slowed during 2019, reflecting continued uncertainty about Brexit and slowing of growth in the world economy. UK inflation has fallen below the Bank's 2% target since August. The Monetary Policy Committee have therefore maintained the base rate of interest at 0.75%.

5.5 The Bank of England expects uncertainty facing UK households and businesses to fall over the next few months and the global growth to recover gradually. It is therefore expected that interest rates will remain steady over the next few months but that upward pressure on prices will build gradually over the next few years, which is likely to lead to a modest increase in interest rates in the medium to long term. However, if UK growth does not recover, it may need to lower interest rates in the short term.

5.6 The effect of this has been that interest rates available to the Council from building societies for investments have decreased slightly since April 2019. For example, a 1 year investment with a top 20 building society in May 2019 earned 1.3% but equivalent rates are now at around 1.1%.

5.7 Another effect of recent UK economic conditions has been that the rates at which Local Authorities can borrow from the Public Works Loans Board, which are linked to the price of UK gilts, fell significantly during the first half of 2019. This led to a rapid increase in borrowing from the Public Works and Loans Board (PWLB) during summer 2019. In order to counteract this effect, HM treasury increased all PWLB rates by 1% in October. This restored PWLB rates approximately to their level in October 2018 and the Council is no longer able to take advantage of very low PWLB rates to reduce the cost of borrowing to fund its capital programme.

Prudential Indicators

5.8 The Prudential Code requires authorities to look at capital and investment plans in light of overall organisation strategy and resources to ensure that decisions are made with sufficient regard to the long term financing implications and risks to the Council. To demonstrate that local authorities have fulfilled these objectives, the code sets out a number of indicators, the code does not include suggested indicative limits or ratios. Local Authorities are to set their own limits and ratios, subject to controls under section 4 of the Local Government Act 2003.

5.9 **Indicator One**: Estimates of Capital Expenditure

The indicator is a summary of the Council's estimated capital expenditure for the current Capital Strategy (2020/21 – 2022/23) including funding from external sources (grants and contributions) and capital receipts, the balance remaining being the net financing requirement.

Capital Expenditure	**Forecast 2019/20 £000s**	**As per Proposed 2020/21 Capital Programme £000s**	**As per Proposed 2021/22 Capital Programme £000s**	**As per Proposed 2022/23 Capital Programme £000s**
People Directorate	15,976	17,372	12,525	16,740
Place Directorate	22,856	31,350	18,507	11,081
Resources Directorate	6,831	5,852	1,682	3,308
Invest to Save Schemes	112	3,252	550	2,400
Commercial Activities		37,747	-	
Total Requirement	**45,775**	**95,573**	**33,264**	**33,528**
Financed By:				
Capital Receipts	241		1,320	
Capital Grants & Contributions (inc s106 and CIL)	33,522	42,973	16,591	13,053
Net Financing Requirement	**12,012**	**52,600**	**15,353**	**20,475**

Note: Invest to save schemes are included in total capital expenditure and funding resources, however, these schemes will generate income and/or savings in revenue budgets elsewhere in the Council's services. Therefore the borrowing costs associated with invest to save schemes have minimal impact on the Council's Medium Term Financial Strategy position.

5.10 **Indicator Two**: Estimates of the Capital Financing Requirement (CFR)

CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years.

The CFR is the total historical capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's underlying borrowing requirement. Any capital expenditure which has not immediately been paid for will increase the CFR. The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used. The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases) included on the Council's balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these.

Capital Financing Requirement (CFR)	Forecast 2019/20 £000s	As per Proposed 2020/21 Capital Programme £000s	As per Proposed 2021/22 Capital Programme £000s	As per Proposed 2022/23 Capital Programme £000s
CFR brought forward	**240,120**	**244,780**	**289,560**	**296,646**
Borrowing to fund Operational Assets	11,475	12,239	14,803	18,075
Invest to Save	537	2,614	550	2,400
Commercial Activities		37,747	-	-
Lease Liabilities	-	-	-	
Increase in borrowing to fund capital expenditure	**12,012**	**52,600**	**15,353**	**20,475**
Less MRP & other financing	7,352	7,820	8,267	8,605
CFR carried forward at yr end	**244,780**	**289,560**	**296,646**	**308,516**
Movement in CFR	**4,660**	**44,780**	**7,086**	**11,870**

5.11 **Indicator Three**: Ratio of Net Financing Costs

The Council is required to disclose the actual and estimates of the ratio of financing costs to net revenue budget, i.e. the proportion of the revenue budget funding the financing of capital expenditure (net interest and the minimum provision to repay debt). The table below shows the actual and estimated ratios for the duration of the current Capital Strategy (2020/21 – 2022/23). The ratio is increasing and this is affordable within the Council's overall budget requirement and is planned for as part of the Council's Medium Term Financial Strategy.

Net Financing Costs Ratio	Forecast 2019/20 %	As per Proposed 2020/21 Capital Programme %	As per Proposed 2021/22 Capital Programme %	As per Proposed 2022/23 Capital Programme £000s
Total Ratio	11.4%	12.6%	12.5%	12.5%

5.12 **Indicator Four**: Actual External Borrowing

The Council needs to ensure that its total borrowing does not exceed the total of the CFR in 2020/21 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes. The table below details the Council's forecast treasury position at 31st March 2020, with estimates for future years (actual external borrowing (gross debt) against the CFR).

Actual External Borrowing	Forecast 2019/20 £000s	As per Proposed 2020/21 Capital Programme £000s	As per Proposed 2021/22 Capital Programme £000s	As per Proposed 2022/23 Capital Programme £000s
Long term loans to fund Operational Assets	123,916	131,889	137,861	150,984
PWLB Maturity Loans inherited from Berkshire County Council	20,500	20,500	20,500	20,500
Long term loans to fund property investment	62,253	100,000	100,000	100,000
Short Term loans for cash flow purposes	4,000	15,000	15,000	15,000
Other long term liabilities	12,971	12,249	11,843	10,670
Gross Debt at 31st March	**223,640**	**279,638**	**285,204**	**297,154**
CFR	244,780	289,560	296,646	308,516
Percentage of Gross Debt to CFR	**91%**	**97%**	**96%**	**96%**

5.13 **Indicator Five**: The Operational Boundary.

The Council is required to determine the limit for total external debt, i.e. the most money the Council would normally borrow at any time during the year. Table five below sets out the limits for external debts for 2019/20 up to and including financial year 2022/23.

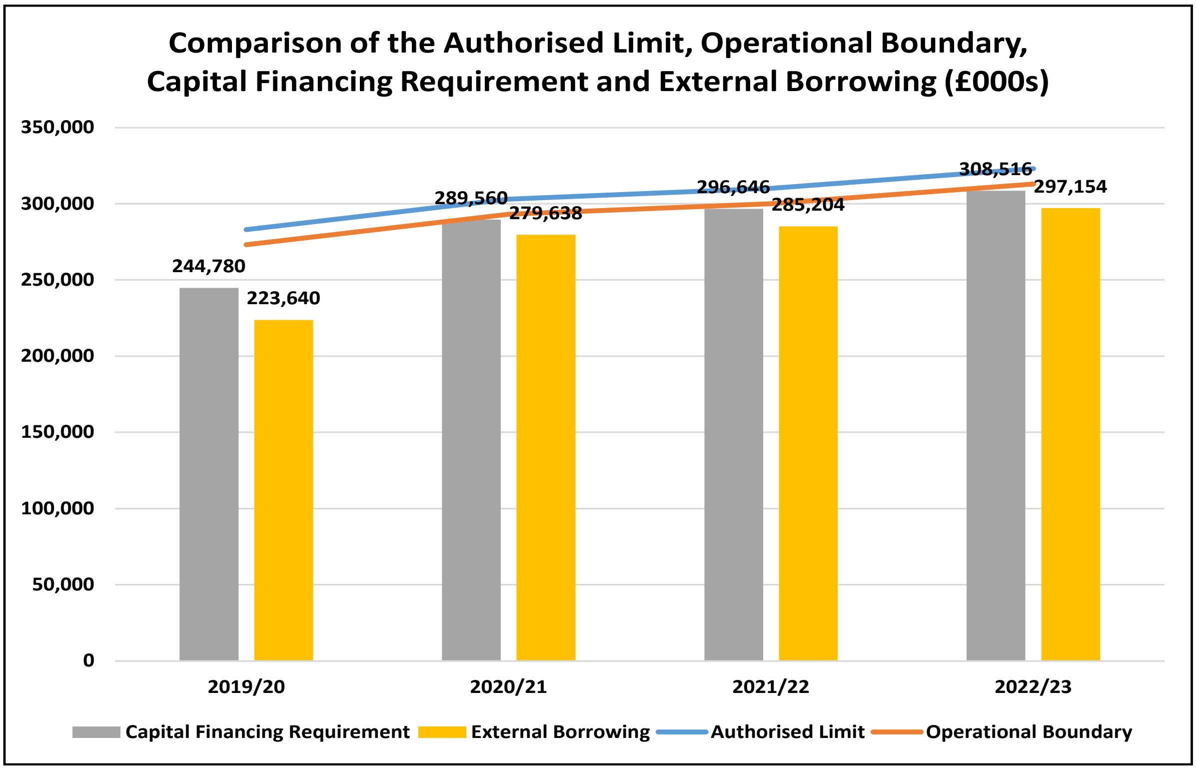
Operational Boundary	As per Approved 2019/20 Capital Programme	As per Proposed 2020/21 Capital Programme	As per Proposed 2021/22 Capital Programme	As per Proposed 2022/23 Capital Programme
	£000s	**£000s**	**£000s**	**£000s**
Long Term Borrowing	245,000	265,000	273,000	287,000
Other long term liabilities	13,000	13,000	12,000	11,000
Short Term borrowing	15,000	15,000	15,000	15,000
Total	**273,000**	**293,000**	**300,000**	**313,000**

5.14 **Indicator Six**: The Authorised Limit.

The Council is required to determine the limit for External Borrowing which refers to the maximum amount the Council is able to borrow. Table three below sets out the limits for external debts for 2019/20, up to and including financial year 2022/23. This is a statutory limit determined under section 3 (1) of the Local Government Act 2003. Government under sections 4(1) and 4(2) may limit either the total of all Council borrowing, or those of a specific Council.

Authorised Boundary	As per Approved 2019/20 Capital Programme	As per Approved 2020/21 Capital Programme	As per Approved 2021/22 Capital Programme	As per Proposed 2022/23 Capital Programme
	£000s	**£000s**	**£000s**	**£000s**
Long Term Borrowing	255,000	275,000	283,000	297,000
Other long term liabilities	13,000	13,000	12,000	11,000
Short Term borrowing	15,000	15,000	15,000	15,000
Total	**283,000**	**303,000**	**310,000**	**323,000**

5.15 The graph below provides a comparison of the authorised limit, operational boundary, CFR and the actual anticipated external borrowing level.



6. Proposals

6.1 Appendix C includes details of the Councils actual borrowings and investments as at 31.3.2019 and forecast levels of borrowing and investments for 31.3.20.

<u>The proposed borrowing strategy</u>:

6.2 **Objectives:** The Councils' chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

6.3 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Alternatively, the Authority may arrange forward starting loans during 2020/21, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.

6.4 **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the Royal Berkshire Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.

6.5 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

6.6 The Council has historically raised all of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, which may be available at more favourable rates:

(1) **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. Any decision to borrow from the Agency will be the subject of a separate report to Full Council.

(2) **LOBOs:** The Council does not currently hold any 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.

(3) **Short-term and variable rate loans**: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators detailed later in Appendix D.

(4) **Debt rescheduling:** The PWLB allows Councils to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or

repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

The proposed Investment Strategy:

6.7 **Objectives:** The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

6.8 **Strategy:** The Council recognises the increasing risk and low returns from short-term unsecured bank investments, however, the period for which funds are invested is determined by the cash flow needs of the Council. Funds are invested for as long as possible, in order to maximise the rate of return, while still ensuring that sufficient funds are available to meet the Council's outgoings. The normal maximum period for which funds may prudently be committed is 12 months. If sufficient funds become available, and market conditions are favourable enough to permit secure longer term investment, funds may, from time to time be invested for longer periods which will offer a better rate of return. However, in order to minimise risk and ensure liquidity, no more than 40% of the Council's funds will be held at any one time in investments longer than 12 months.

6.9 **Business models:** Under IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

6.10 **Specified Investments:** Specified investments are defined as those satisfying each of the following conditions:

- Denominated in sterling.
- To be repaid or redeemed within 12 months of the date on which the investment is made.
- Do not involve the acquisition of share capital or loan capital in any body corporate.
- Are made with the UK government, local authorities, parish councils, community councils, or a deposit taker awarded a high credit rating and authorised by a regulatory body (Financial Services Authority usually).

6.11 **Non Specified Investments**: Any investments that do not meet the criteria set out in 6.10 above are classified as Non-specific investments.

6.12 **Credit ratings and limits:** The proposed credit ratings and limits are detailed in the table below.

Organisations	Maximum Value £000s
Debt Management Office (UK Govt)	Unlimited
UK Local Authorities (including Police and Fire Authorities and similar public bodies)	5,000
UK Building Societies ranked 1 - 11	5,000
UK Building Societies ranked 12-21	4,000
UK Building Societies ranked 22 -25	3,000
UK Banks and other financial institutions rated Prime 1 by Moody's	5,000
UK Banks and other financial institutions rated Prime 2 by Moody's	4,000
UK Banks and other financial institutions rated Prime 3 by Moody's	3,000
UK based money market funds rated AAA by Moody's (per individual fund)	5,000

The Council under section 15(1) of the Local Government Act 2003 can choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth. The Council can make such loans if it can be demonstrated that:

- Total financial exposure of loan is proportionate.
- Have used an allowed "expected credit loss" model for loan and receivables as set out in IFRS 9 Financial Instruments.
- Have appropriate credit control arrangements to recover overdue repayments.
- The Council has formally agreed the total level of loans by type that it is willing to make and the total loan book is within the self-assessed limit (i.e. authorised borrowing limit).

It is proposed under the parameters of paragraph 4.4 above that the table of credit ratings and limits agreed by Full Council is modified to include the following:

Organisations	Maximum Value £000s
Registered Charities, public sector bodies and Council owned companies / joint ventures	5,000

It is not proposed that lending to voluntary groups and parishes will be undertaken.

6.13 **Exposure to Risk**: The proposed investment limits represent the maximum values to be invested with individual organisations. The Treasury Management Group may temporarily reduce these amounts and or shorten the time period of investments in order to spread the exposure to loss from institutions failing. The Council manages its exposure to risk via a series of treasury management indicators. Appendix D provides greater detail on the indicators used to monitor and review the performance of the treasury management function.

6.14 **Commercial Property:** The Council has invested £62m of a £100m approved fund in commercial property. Based on the current investment of £62m, a budgeted contribution of £1.5m is made to the Council's revenue budget supporting the delivery of core services. The table below details the budgeted net contribution from income generated from commercial property to the budgeted net revenue budget based on the current investment portfolio.

Budgeted Income to the Net Revenue Budget	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**	**2022/23 £000**
Net Revenue Budget Requirement	131,110	130,562	137,199	141,198
Net Income generated by commercial property	1,500	1,500	1,500	1,500
Ratio of net commercial property income to net revenue budget	**1.1%**	**1.1%**	**1.1%**	**1.1%**

6.15 The table below details the level of Council debt as a proportion of total forecast Council debt, attributable to commercial property.

Debt Financing of Commercial Property	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**	**2022/23 £000**
Total debt financing brought forward	223,640	279,638	285,204	297,154
Debt brought forward for commercial property	100,000	100,000	100,000	100,000
Ratio of commercial property debt funding to total Council debt funding	**44.7%**	**35.8%**	**35.1%**	**33.7%**

**Debt relating to commercial property is based on a fully invested fund of £100m*

6.16 External specialist advisors have been used to develop and deliver the Property Investment Strategy. The Council has a separate Property Investment Strategy approved by Council in July 2018 which sets out the investment criteria and agreed fund level.

6.17 The table below details the total net yields from investment property by category and the net contribution to the revenue budget.

Investment Property Yields	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**	**2022/23 £000**
Net Income generated by commercial property	1,500	1,500	1,500	1,500
Net Income generated by Investment Property (non commercial)	389	389	389	389
Total net contribution to the revenue budget	**1,889**	**1,889**	**1,889**	**1,889**
Ratio of investment income to net revenue budget	**1.4%**	**1.4%**	**1.4%**	**1.3%**

7. Other options considered

Not applicable.

8. Conclusion

8.1 The Council has a comprehensive Investment and Borrowing Strategy compliant with the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code), adopted by Council in compliance with the Local Government Act 2003. Implementation of the strategy is overseen by the cross party Treasury Management Group. Treasury performance reporting to Executive is undertaken mid-year and at outturn annually.

9. Appendices

9.1 Appendix A – Equalities Impact Assessment

9.2 Appendix B – Data Protection Impact Assessment

9.3 Appendix C – Investments and Borrowing forecast 31.3.2020

9.4 Appendix D – Treasury Management Indicators

Background Papers:
None

Subject to Call-In:
Yes: ☐ No: ☒

The item is due to be referred to Council for final approval X

Wards affected: All

Officer details:

Name:	Shannon Coleman-Slaughter
Job Title:	Chief Financial Accountant
Tel No:	01635 519225
E-mail Address:	Shannon.colemanslaughter@westberks.gov.uk

Appendix A

Equality Impact Assessment - Stage One

We need to ensure that our strategies, polices, functions and services, current and proposed have given due regard to equality and diversity as set out in the Public Sector Equality Duty (Section 149 of the Equality Act), which states:

"(1) A public authority must, in the exercise of its functions, have due regard to the need to:

- ***(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;***
- ***(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; This includes the need to:***
  - ***(i) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;***
  - ***(ii) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;***
- ***(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it, with due regard, in particular, to the need to be aware that compliance with the duties in this section may involve treating some persons more favourably than others.***

(2) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

(3) Compliance with the duties in this section may involve treating some persons more favourably than others."

The following list of questions may help to establish whether the decision is relevant to equality:

- **Does the decision affect service users, employees or the wider community?**
- **(The relevance of a decision to equality depends not just on the number of those affected but on the significance of the impact on them)**
- **Is it likely to affect people with particular protected characteristics differently?**
- **Is it a major policy, or a major change to an existing policy, significantly affecting how functions are delivered?**
- **Will the decision have a significant impact on how other organisations operate in terms of equality?**
- **Does the decision relate to functions that engagement has identified as being important to people with particular protected characteristics?**
- **Does the decision relate to an area with known inequalities?**
- **Does the decision relate to any equality objectives that have been set by the council?**

Please complete the following questions to determine whether a full Stage Two, Equality Impact Assessment is required.

What is the proposed decision that you are asking the Executive to make:	Agree the Investment and Borrowing Strategy
Summary of relevant legislation:	CIPFA Prudential Code 2017 and Local Government Act 2003
Does the proposed decision conflict with any of the Council's key strategy priorities?	No
Name of assessor:	Shannon Coleman-Slaughter/Andy Walker
Date of assessment:	24.12.19

Is this a:		**Is this:**	
Policy	**No**	**New or proposed**	**New**
Strategy	**Yes**	**Already exists and is being reviewed**	**No**
Function	**Yes**	**Is changing**	**No**
Service	**No**		

1 What are the main aims, objectives and intended outcomes of the proposed decision and who is likely to benefit from it?	
Aims:	Robust treasury management
Objectives:	Robust treasury management
Outcomes:	Robust treasury management
Benefits:	Robust treasury management

2 Note which groups may be affected by the proposed decision. Consider how they may be affected, whether it is positively or negatively and what sources of information have been used to determine this.

(Please demonstrate consideration of all strands – Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex and Sexual Orientation.)

Group Affected	**What might be the effect?**	**Information to support this**
Age		
Disability		
Gender Reassignment		

Marriage and Civil Partnership		
Pregnancy and Maternity		
Race		
Religion or Belief		
Sex		
Sexual Orientation		
Further Comments relating to the item:		

3 Result	
Are there any aspects of the proposed decision, including how it is delivered or accessed, that could contribute to inequality?	**No**
Please provide an explanation for your answer:	
Will the proposed decision have an adverse impact upon the lives of people, including employees and service users?	**No**
Please provide an explanation for your answer:	

If your answers to question 2 have identified potential adverse impacts and you have answered 'yes' to either of the sections at question 3, or you are unsure about the impact, then you should carry out a Stage Two Equality Impact Assessment.

If a Stage Two Equality Impact Assessment is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the Equality Impact Assessment guidance and Stage Two template.

4 Identify next steps as appropriate:	
Stage Two required	N/A
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	

Name: Shannon Coleman-Slaughter **Date: 24.12.19**

Please now forward this completed form to Rachel Craggs, Principal Policy Officer (Equality and Diversity) (rachel.craggs@westberks.gov.uk), for publication on the WBC website.

Appendix B

Data Protection Impact Assessment – Stage One

The General Data Protection Regulations require a Data Protection Impact Assessment (DPIA) for certain projects that have a significant impact on the rights of data subjects.

Should you require additional guidance in completing this assessment, please refer to the Information Management Officer via dp@westberks.gov.uk

Directorate:	Resources
Service:	Finance and Property
Team:	Accountancy
Lead Officer:	Shannon Coleman-Slaughter/Andy Walker
Title of Project/System:	Investment and Borrowing
Date of Assessment:	24.12.19

Do you need to do a Data Protection Impact Assessment (DPIA)?

	Yes	No
Will you be processing SENSITIVE or "special category" personal data? Note – sensitive personal data is described as "*data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs, or trade union membership, and the processing of genetic data, biometric data for the purpose of uniquely identifying a natural person, data concerning health or data concerning a natural person's sex life or sexual orientation"*	☐	X
Will you be processing data on a large scale? Note – Large scale might apply to the number of individuals affected OR the volume of data you are processing OR both	☐	X
Will your project or system have a "social media" dimension? Note – will it have an interactive element which allows users to communicate directly with one another?	☐	X
Will any decisions be automated? Note – does your system or process involve circumstances where an individual's input is "scored" or assessed without intervention/review/checking by a human being? Will there be any "profiling" of data subjects?	☐	X
Will your project/system involve CCTV or monitoring of an area accessible to the public?	☐	X
Will you be using the data you collect to match or cross-reference against another existing set of data?	☐	X
Will you be using any novel, or technologically advanced systems or processes? Note – this could include biometrics, "internet of things" connectivity or anything that is currently not widely utilised	☐	X

If you answer "Yes" to any of the above, you will probably need to complete Data Protection Impact Assessment - Stage Two. If you are unsure, please consult with the Information Management Officer before proceeding.

Appendix C

Investment and Borrowing Forecast 31.3.2020

Borrowing & Investments	Actual 31.3.19 £000s	Average Rate %	Forecast 31.3.20 £000s
Public Works and Loans Board (PWLB) Loans to fund Operational Assets	117,680	2.9	123,916
PWLB Maturity Loans inherited from Berkshire County Council	20,505	5.8	20,505
PWLB Maturity Loans to fund property investment	62,253	2.5	62,253
Local Authorities	8,500	0.9	4,000
Total external borrowing	**208,938**		**210,674**
Other long term liabilities:			
Private Finance Initiative (Waste)	13,651	6.1	12,971
Total other long term liabilities	**13,651**		**12,971**
Total gross external debt	**222,589**		**223,645**
Treasury Investments:			
Fixed Term investments with building societies	26,000	1.1	18,000
Deposits in Instant Access bank accounts and money market funds	5,068	0.7	750
Total treasury investments	**31,068**		**18,750**
Net debt	**191,521**		**204,895**

Appendix D

Treasury Management Indicators

Interest rate exposures:
This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

	2019/20 Forecast	**2020/21 Estimate**	**2021/22 Estimate**	**2021/22 Estimate**
	£000s	**£000s**	**£000s**	**£000s**
Impact of a 1% rise in interest rates:				
Long term borrowing	-	24	461	566
Other Long term Liabilities	-	-	-	-
Short term borrowing	3	13	13	13
Investments		- 260	- 260	- 260
Total Impact of a 1% rise in interest rates:	**3**	**- 223**	**214**	**319**
Impact of a 1% fall in interest rates				
Long term borrowing	-	- 23	- 523	- 621
Other Long term Liabilities	-	-	-	-
Short term borrowing	- 3	- 13	- 13	- 13
Investments	-	260	260	260
Total Impact of a 1% rise in interest rates:	**- 3**	**224**	**- 276**	**- 374**

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

Maturity structure of borrowing:
This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper Limit	Lower Limit
Under 12months	0%	50%
12 months and within 24 months	0%	50%
24 months and within 5 years	0%	50%
5 years and within 10 years	0%	50%
10 years and above	0%	50%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

The above indicators remain unchanged from the 2019/20 Investment and Borrowing Strategy.