Annex 1

Audit and Governance Committee
Meeting to be held on Monday, 26 June 2017

Electoral Division affected: (All Divisions);

Lancashire County Council - Treasury Management Investment Policy
(Appendix 'A' refers)

Contact for further information:
Neil Kissock, Director of Financial Resources, Tel: 01772 536154,
Neil.Kissock@lancashire.gov.uk

Executive Summary

The County Council's Treasury Management Investment Policy is developed to be in line with the County Council's forecast cash-flows for current and future years. In particular, the ability to hold long term investments is determined by the estimated level of long term assets, principally reserves, held on the balance sheet. The latest Medium Term Financial Strategy (MTFS) of the County Council shows that the level of reserves are due to reduce significantly over the next three years.

The report at Appendix 'A' sets out a review of the current Treasury Management Investment Policy to consider whether the type of investments currently held are still the most appropriate given the future anticipated levels of resource and economic context.

Recommendation

That the Audit and Governance Committee recommend Full Council to agree to a change to the Treasury Management Strategy allowing investment in property and equity investment funds of up to £50m in each category as set out in the report.

Background and Advice

The report at Appendix 'A' sets out a review of the County Council's current Treasury Management Investment Policy to consider whether the type of investments currently held are still the most appropriate given the future anticipated levels of resource and economic context.

Consultations

Treasury Management advisers Arlingclose and LPPI have been consulted on the review undertaken.

Implications:

This item has the following implications, as indicated:

Risk management

Financial

Property Fund:

Investment in a property fund should generally be viewed as an illiquid asset. Although the funds do allow for the investors to withdraw money it can be subject to the fund's ability to sell a property and losses could incurred. With the exception of the CCLA fund, property funds are classified as capital expenditure.

However, this option has the advantage of giving access to specialist professionals and giving a share in a wide range of properties allowing a level of diversification. Over the last few years these funds have made high returns but performance will be linked to the overall economy and property market and therefore there will be times when returns are low.

Equity Fund:

Shares in an equity fund can be purchased as investments and not treated as capital expenditure. Like other types of fund they also give the advantage of access to specialist investment managers but the value of any fund will be subject to stock market fluctuations. Traditionally over a long period of time returns have been good, though low returns in the short term are possible. If the authority needed to redeem its holding then a loss could be incurred.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
Treasury Management Policy and Strategy 2017/18	9 February 2017	Khadija Saeed, Head of Corporate Finance, 01772 536195

Reason for inclusion in Part II, if appropriate

N/A