

**Audit, Risk and Governance Committee**  
Meeting to be held on Monday, 29 January 2024

Electoral Division affected:  
N/A;

**Treasury Management Strategy 2024/25**  
(Appendices 'A' – 'C' refer)

Contact for further information:  
Neil Kissock, Director of Finance, Tel: 01772 536154,  
neil.kissock@lancashire.gov.uk

**Brief Summary**

The council is required to produce a Treasury Management Strategy before the beginning of each financial year. The proposed Treasury Management Strategy for 2024/25 is at Appendix 'A', the Investment Strategy at Appendix 'B', and the associated Minimum Revenue Provision Policy Statement at Appendix 'C'.

**Recommendation**

The Audit, Risk and Governance Committee is asked to recommend that Full Council approves the Treasury Management and Investment Strategies, and the Minimum Revenue Provision Policy Statement for 2024/25, as set out in this report.

**Detail**

Treasury management is the management of the council's investments and cash flows, its banking, money market and capital market transactions. It also includes the effective control and management of the risks associated with these activities, ensuring that the council gets the best performance within acceptable risk parameters. Although the impact of treasury management decisions is considered over the long term, there is a requirement through regulations for the strategies to be approved annually.

**Treasury Management Strategy**

The Treasury Management Strategy at Appendix 'A' sets out the council's approach for both its borrowing and investment activity. The borrowing strategy is determined by the need for the council to borrow in accordance with the Prudential Code and the impact of the economic climate on the prevailing cost and availability of borrowing. The report identifies a likely need to borrow and notes that the council will continue to review the balance between long- and short-term debt. It should be noted that the

figures in the strategy will be subject to minor changes as the capital programme is developed and approved.

## **Investment Strategy**

The then Ministry of Housing, Communities and Local Government's statutory guidance on local government investments includes provisions relating to investments that support local public services by lending to or buying shares in other organisations (service investments), and those made to earn investment income (known as commercial investments where this is the main purpose). These investments held for service purposes or for commercial profit are considered in the Investment Strategy at Appendix 'B'. The Investment Strategy, whilst having regard to yield, has the key drivers continuing to be security and liquidity.

## **Minimum Revenue Provision Policy Statement**

The Minimum Revenue Provision (MRP) Policy Statement for 2024/25 is also presented for approval at Appendix 'C'. The Department for Levelling Up, Housing and Communities is currently consulting on proposed changes to Minimum Revenue Provision regulations which will limit the scope for authorities to: (a) make no Minimum Revenue Provision on parts of the capital financing requirement; and (b) to use capital receipts in lieu of a revenue charge for Minimum Revenue Provision. It is not anticipated that the outcome of the consultations will require for the Minimum Revenue Provision Policy Statement at Appendix 'C' to be changed.

## **Changes from Prior Year**

Aside from minor wording changes, updated context and commentary, the policies set out in the appendices are broadly in line with those approved for 2023/24, with the most significant change being within the Treasury Management Strategy where there is a proposal to amend credit ratings to reflect possible downgrading of the UK government and the subsequent effect on other credit ratings.

A new accounting standard on leases (IFRS 16) is to be implemented in 2024/25. This means that all leases are to be reflected as a liability on the balance sheet, rather than recorded as a finance lease. If the proposed Minimum Revenue Provision Policy Statement is approved whereby the Minimum Revenue Provision equals the principal repayment, then there will be no overall impact on the revenue account. However, the proposed authorised and operational prudential limits for 'other long-term liabilities' will be increased to reflect the additional liabilities to be recognised.

## **Appendices**

Appendices A –C are attached to this report. For clarification they are summarised below and referenced at relevant points within this report.

<b>Appendix</b>	<b>Title</b>
Appendix A	Treasury Management Strategy
Appendix B	Investment Strategy
Appendix C	Minimum Revenue Provision Policy Statement



## Consultations

Arlingclose, the county council's external treasury management advisers, have provided advice in the formulation of the proposals in this report.

## Implications:

This item has the following implications, as indicated:

## Risk management

The council, having adopted the Prudential Code, is required to prudently manage its investments and borrowing. A failure to do so could expose the council to undue financial risks.

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

Paper	Date	Contact/Tel
Chartered Institute of Public Finance and Accountancy Treasury Management Code of Practice	2021	Paul Dobson Tel 01772 534725
Chartered Institute of Public Finance and Accountancy The Prudential Code for capital finance in local authorities	2021	Paul Dobson Tel 01772 534725
Ministry of Housing, Communities and Local Government statutory guidance on local authority investments		Paul Dobson Tel 01772 534725

Reason for inclusion in Part II, if appropriate

N/A

