

Audit, Risk and Governance Committee
Meeting to be held on 22 July 2024

Electoral Division affected:
(All Divisions);

Amendment to the Treasury Management Strategy 2024-25

Contact for further information:

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Brief Summary

The Full Council agreed a Treasury Management Strategy for the financial year 2024-25 in February 2024. The strategy includes details of the allowable credit quality for the council's investments. This report sets out proposed changes to the allowable credit quality.

Recommendation

The Audit, Risk and Governance Committee is asked to recommend to Full Council that the Treasury Management Strategy 2024-25 is amended with the proposed changes to the allowable credit quality for the council's investments, as set out in the report.

Detail

In February 2024 the Full Council approved the Treasury Management Strategy for the financial year 2024-25. It was reported that the council holds reserves and other cash items on its balance sheet which, if not used to reduce borrowing requirements, are invested to generate a return. In investing this cash, the council follows guidance issued by Chartered Institute of Public Finance and Accountancy (CIPFA) and government.

The guidance requires treasury management investments to prioritise security, liquidity and yield in that order of importance. As a result, the council's strategy is to avoid investments with low credit quality bodies. To help implement the policy, a credit rating matrix was approved that identified the minimum credit quality for investment instruments.

Based on the current economic environment and aiming to improve returns from the investment portfolio, the Director of Investment considers that it is appropriate to



change the allowable credit quality as set out below. Whilst the changes reduce the minimum credit quality, the changed ratings remain investment grade.

Instrument	Minimum Credit Rating (blended average)	
	From	To
Sterling Supranational Bonds and Sterling Sovereign Bonds	AA-	A1
Corporate Bonds (Short Term, less than 1 year to maturity)	P1/A1/F1	BBB1
Corporate Bonds (Medium term, up to 5 years)	AA- P1/A1/F1	BBB1
Corporate Bonds (Long term)	AA P1/A1+/F1+	BBB1

More information about credit ratings is provided by Investopedia via the following link: www.investopedia.com/terms/c/creditrating.asp

Appendices

N/A

Implications:

This item has the following implications, as indicated:

Legal

N/A

Financial

As outlined in the report.

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

N/A

Reason for inclusion in Part II, if appropriate

N/A

