Annex 1

Audit, Risk and Governance Committee
Meeting to be held on Monday, 29 January 2018

Electoral Division affected:
(All Divisions);

Treasury Management Policy and Strategy 2018/19

(Appendices 'A' and 'B' refer)

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Executive Summary

This report proposes the Treasury Management Policy and Strategy for 2018/19 as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice (2011). It includes the county council's borrowing and investment strategies and the proposed Minimum Revenue Provision policy, together with the treasury management prudential indicators which seek to ensure that the council's borrowing levels remain both sustainable and affordable.

Recommendation

That the Committee recommends that Full Council approves the Treasury Management Policy and Strategy for 2018/19 set out at Appendix 'A' and 'B' respectively.

Background and Advice

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 for the least risk. The overarching policy is set out at Appendix 'A'.

The Treasury Management Strategy is at Appendix 'B' and sets out the Council's approach to ensuring the security and liquidity of its investments, whilst having regard to investment returns in order to protect the value of the funds. It also outlines the council's strategy for financing existing borrowing and future capital borrowing requirements, with the aim of securing the required funds at the lowest possible rate.

The Minimum Revenue Provision (MRP) is a prudent charge Local Authorities are required to make to the revenue account to provide for the repayment of debt and other credit liabilities (mainly finance leases or PFI contracts).

Lancashire County Council

The strategy includes the county council's policy in relation to the MRP, together with the treasury management prudential indicators which seek to ensure that the council's borrowing levels remain both sustainable and affordable.

Although the impact of treasury management decisions are considered over the long term, the CIPFA and DCLG codes require that the strategies are approved annually. The key changes in the proposed 2018/19 Treasury Management Strategy are:

- The operational limit of investments has been reduced to reflect the forecast reduction in reserves held by the county council.
- The limits for the approved counter parties included in the investment strategy have been reduced accordingly.
- The investment strategy proposes allowing investment in credit and multi-asset funds. This is in line with the aim of increasing the diversification of investments held.

Consultations

Arlingclose, the county council's external treasury management advisers have been consulted on specific elements described in the strategy document.

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 risks.

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

Paper	Date	Contact/Tel
CIPFA Treasury Management Code of Practice	2011	Paul Dobson/ (01772) 534740

Reason for inclusion in Part II, if appropriate

N/A