

Audit, Risk and Governance Committee
Meeting to be held on Monday, 27 January 2020

Electoral Division affected: None;

Treasury Management Strategy 2020/21
(Appendices A, B and C refer)

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Executive Summary

The council is required to produce a treasury management strategy before the beginning of each financial year. The proposed treasury management strategy for 2020/21 is attached as Appendix A, the non-treasury strategy is attached at Appendix B, and the associated minimum revenue provision policy statement is at Appendix C.

Recommendation

The Audit, Risk and Governance Committee is asked to recommend that Full Council approves the treasury and non-treasury management strategies and the minimum revenue provision policy statement for 2020/21.

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 within acceptable risk parameters.

The treasury management strategy at Appendix A 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 capital expenditure, with the aim of securing the required funds at the lowest possible rate.

Although the impact of treasury management decisions are considered over the long term, there is a requirement through regulations for the strategies to be approved annually. The proposed treasury management strategy is broadly similar to that adopted in 2019/20 although the strategy makes reference to the increase in the cost of loans from the Public Works Loan Board by 1% in relation to gilt yields.

These traditionally have been the main source of long term borrowing but the increase potentially makes alternative sources of long term borrowing more attractive; including the potential for the council to issue a bond. This may involve a large short term cash inflow and the limits for both borrowing and investments have been adjusted to accommodate this.

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

The Ministry of Housing, Communities and Local Government has issued updated statutory guidance on local government investments. This now covers a wider definition of investments and includes those 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). Investments held for service purposes or for commercial profit are considered in the non-treasury Investment Strategy at Appendix B.

The minimum revenue provision policy statement for 2020/21 is also presented for approval at Appendix C. There are no changes to this policy from the previous year.

Consultations

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

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	2018	Paul Dobson (01772) 534725
Ministry of Housing, Communities and Local Government statutory guidance on local authority investments	2018	Paul Dobson (01771) 534725

Reason for inclusion in Part II, if appropriate

N/A