

Audit, Risk and Governance Committee
Meeting to be held on Monday, 25 January 2021

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| Electoral Division affected: (All Divisions); |
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Treasury Management Strategy 2021/22
Appendices A-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 2021/22 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 2021/22, as set out in this report.

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 for both its borrowing and investment activity. The borrowing strategy is determined by the need for the council to borrow in accordance to the Prudential Code, 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 has fixed a higher proportion of debt for a long term to take advantage of current historically low interest rates. The balance between long and short term debt will continue to be kept under review.

The investments strategy whilst having regard to yield has the key drivers continuing to be security and liquidity.

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 2020/21 whilst taking into account the council's previous bond issuance.

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 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 Non-Treasury Investment strategy at Appendix B.

The Minimum Revenue Provision Policy Statement for 2021/22 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 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 | 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