

## **Investment Strategy 2023/24**

The council can make or hold investments for the following purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
- support local public services by lending to or buying shares in other organisations (service investments), and
- earn investment income (commercial investments)

In making investments the council will take into consideration guidance issued by Chartered institute of Public Finance and Accountancy (CIPFA) and government departments. The Prudential Code issued by CIPFA states that local authorities should avoid exposing public funds to inappropriate or unquantified risk. The prime policy objective of their treasury management investment activities is the security of funds. Investments for 'commercial purposes', which are taken primarily for financial return, are likely to be higher risk, and local authorities must not borrow to invest primarily for financial return. Statutory Guidance on Local Government Investments (3rd Edition) (Statutory Investment Guidance) issued by the then Ministry for Housing, Communities and Local Government (MHCLG) also state local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The guidance makes it clear that it extends to borrowing taken on to finance the acquisition of non-financial as well as financial investments.

### **Treasury Management Investments**

The authority holds reserves and in general the authority has positive cash flows with grants and other income often being received prior to the expenditure, such as payroll, being incurred. These along with the potential for borrowing being raised before the capital expenditure is incurred leads to positive cash balances which need investing. These investments are made in line with the guidance on treasury management issued by the Chartered institute of Public Finance and Accountancy.

The contribution that these investments make to the objectives of the council is to support effective treasury management activities.

Full details of the council's policies and its plan for 2023/24 for treasury management investments are covered in a separate document, the treasury management strategy.

### **Service Investments**

The council provides loans as part of its service delivery and not primarily to generate income. The authority has made loans to Lancashire County Development Ltd which is an owned company that promotes economic development within the county, an arrangement with Blackpool Council with respect to the waste service and schools. The council also has an employee loan scheme to promote alternatives to travelling by car.

The key risk when making service loans is that the borrower is unable to repay the loan. Currently, the exposure faced by the council is low and it is proposed that this

continues in 2023/24. The table below provides details of the loans outstanding at 31 March 2022 and proposed limits for 2023/24.

Category of borrower	Outstanding at 31 March 2022 £m	Proposed Limit 2023/24 £m
Subsidiaries	7.1	15.0
Other councils	26.9	40.0
Employees	0.1	1.0
Schools	0.2	5.0
<b>Total</b>	<b>34.3</b>	<b>61.0</b>

### ***Service Investments: shares***

The county council holds shares in the Municipal Bond Agency for specific service delivery objectives. It is not expected that any significant return will be made on these shares.

### ***Commercial Activities***

The relevant government guidance defines property to be an investment if it is held primarily or partially to generate a profit. Although the council promotes income generating activity it is generally within the context of providing a service efficiently and covering costs rather than profit seeking. Areas where it is considered the definition is met is in relation to smallholdings and Lancashire County Development Limited In 2021/22 the income generated from smallholdings was less than £0.1m while Lancashire County Developments Limited made a contribution to costs of around £2m.

Other investment proposals may arise during the year. The proposals could involve changes to current services or changing the use of existing assets. These will be examined by officers and approval sought from the appropriate council committee.

<b>Total investment exposure</b>	<b>31/03/2022 Actual</b>	<b>31/03/2023 Forecast</b>	<b>31/03/2024 Forecast</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Treasury management investments	883	830	800
Service investments: Loans	34	34	34
<b>Total Investments</b>	<b>917</b>	<b>864</b>	<b>834</b>

It is anticipated that borrowing will remain within the capital requirements and therefore none of these investments are funded from borrowing. The income derived from service and commercial activities is not material to the funding of the council's revenue budget.