

Audit, Standards and Risk Committee

Wednesday, 17 July 2024

Updated Treasury Management Strategy 2024/25

Is the paper exempt from the press and public? No

Reason why exempt: Not applicable

Purpose of this report: Monitoring/Assurance

Is this a Key Decision? No

Has it been included on the Forward Plan of Key Decisions? No

Director Approving Submission of the Report:
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Executive Summary

This paper provides the Committee with an updated Treasury Management Strategy for 2024/25 which incorporates PCC treasury management activity with that of the MCA following the integration of the MCA and PCC on 7 May 2024.

This will govern the treasury management activities of the integrated organisation.

What does this mean for businesses, people and places in South Yorkshire?

The Treasury Management Strategy is an integral part of the budget, which provides the resource to deliver upon South Yorkshire's aspirations. The developing business plans and accompanying budgets will determine how, where, and to what level the MCA invests in the region in the coming years and will set out how that investment is to be funded.

Recommendations

The Committee is asked to:

- Endorse the updated 2024/25 Annual Treasury Management Strategy (TMS) for the MCA / PCC combined
- Endorse the treasury management principles and roles and responsibilities post integration set out in the Treasury Management Policy Statement in Section A
- Endorse the borrowing strategy set out in Section B
- Endorse the capital expenditure estimates and associated prudential indicators set out in Section C
- Endorse the minimum revenue provision policy set out in Section D
- Endorse the annual investment strategy set out in Section E
- Note that delegated authority has been granted to the Executive Director of Resources and Investment to make use of capital flexibilities in accordance with the strategy outlined in Section F of the TMS where he considers it prudent to do so

Consideration by any other Board, Committee, Assurance or Advisory Panel

None

1. Background

- 1.1 The MCA approved its 2024/25 Treasury Management Strategy at its meeting on 12 March 2024.

The OPCC approved its 2024/25 Treasury Management Strategy at the meeting of the Public Accountability Board held on 26 February 2024.

Following the integration of the MCA and the PCC on 7 May 2024, an updated 2024/25 Treasury Management Strategy has been prepared for the MCA and PCC combined.

It includes an updated series of prudential indicators for the MCA/PCC combined and additional commentary where circumstances and events have moved on since the original Treasury management strategies of the MCA and PCC were approved.

Its purpose is to ensure that:

- The overarching borrowing strategy is appropriate in the context of the current economic climate;
- Capital plans are affordable, prudent and sustainable;
- Prudent charges are made to revenue for the repayment of debt by adopting a minimum revenue provision (MRP) policy that is compliant with statutory MRP guidance;
- Investments and borrowings are organised in accordance with the risk appetite; and

- The investment strategy pays due regard to security (the management of risk and the protection of the principal sums invested) and liquidity (availability of cash to meet liabilities as they fall due) as first priorities and then what level of return (yield) can be obtained based on risk appetite and the contribution each investment activity makes.

2. Key Issues

- 2.1 In common with constituent member authorities, regulation and the MCA's Constitution require that the MCA approve the adoption of an Annual Treasury Management Strategy (TMS) which must comply with the requirements of the Local Government Act 2003, the CIPFA Prudential Code, DLUHC MRP Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance.

The Annual Treasury Management Strategy can be updated at any point during the year to reflect changing circumstances.

The integration of the MCA and PCC is considered such an event.

- 2.2 In the short term the treasury management activities of the MCA and PCC functions will continue to be managed separately using existing arrangements. This means that Sheffield City Council will continue to manage the MCA's investment portfolio on a day-to-day basis under the existing Service Level Agreement (SLA). Likewise, the City of Doncaster Council will continue to manage the daily transactional treasury management activities of the PCC under the existing SLA.
- 2.3 Notwithstanding this, MCA Board will have overall responsibility for the updated treasury management strategy and responsibility for the implementation and regular monitoring of Treasury Management Policies and Practices will rest with the Audit, Standards and Risk Committee.
- 2.4 Monitoring and Reporting against the updated Treasury Management Strategy and prudential indicators will form part of the quarterly Budget Updates that are presented to the MCA Board at Quarter 2 and Quarter 3. An end of year annual report will be presented to the MCA Board as part of the Outturn papers which will show actual performance against the updated treasury management strategy after the end of the 2024/25 financial year.
- 2.5 The updated Treasury Manager strategy does not alter the fundamental approach to the management of risk adopted by the MCA and PCC in the original treasury management strategies. In particular, as far as treasury investments are concerned, priority is given first and foremost to security, then to liquidity, and thirdly to obtaining the optimum return having regard to these principles and the risk appetite. It does however, present opportunities post integration for the MCA and PCC treasury functions to work together in such a way that the organisation as a whole benefits.
- 2.6 The updated treasury management strategy sets out in detail how the approach to risk management is to be implemented with regard to the overall borrowing

strategy and investment strategy and the series of updated prudential indicators that will be used to monitor this.

3. Options Considered and Recommended Proposal

3.1 None. Approval of the annual treasury management strategy by the full authority is a statutory requirement.

4. Consultation on Proposal

4.1 N/A

5. Timetable and Accountability for Implementing this Decision

5.1 The updated Treasury Management Strategy will be approved by the MCA Board at the next opportunity.

6. Financial and Procurement Implications and Advice

6.1 The financial implications are contained within the attached treasury Management Strategy.

7. Legal Implications and Advice

7.1 In the opinion of the Section 73 Officer, the treasury management strategy is fully compliant with all relevant legislation.

8. Human Resources Implications and Advice

8.1 N/A

9. Equality and Diversity Implications and Advice

9.1 N/A

10. Climate Change Implications and Advice

10.1 N/A

11. Information and Communication Technology Implications and Advice

11.1 N/A

12. Communications and Marketing Implications and Advice

12.1 N/A

List of Appendices Included:

A Updated Treasury Management Strategy 2024/25

Background Papers

MCA 2024/25 Annual Treasury Management Strategy approved by the MCA Board at its meeting on 12 March 2024.

PCC 2024/25 Treasury Management Strategy approved by the Public Accountability Board at its meeting held on 26 February 2024