

AUDIT & STANDARDS COMMITTEE

23rd January 2020

Mid Year Treasury Report 2019/20

Purpose of Report

This report provides members with an update on treasury activities undertaken by the MCA Group for the 6 months to September 2019.

Freedom of Information & Section 12A of the Local Government Act 1972

Under the Freedom of Information Act this paper and any appendices will be made available under the Mayoral Combined Authority Publication Scheme. This scheme commits the Authority to make information about how decisions are made available to the public as part of its normal business activities.

Recommendations

Members consider and note the mid year treasury performance.

1. Introduction

- 1.1** Audit and Standards Committee is responsible for overseeing the treasury management activities of the SCR Group as set out under the CIPFA Code of Practice on Treasury Management in Public Services (the Treasury Code), CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) and associated statutory guidance on local government investments and MRP policy. The purpose of this report is to set out the treasury management activity undertaken in the current financial year and demonstrate to Members performance against the Treasury management Performance Indicators approved by the MCA at its meeting on 25 March 2019.

2. Report on Activity

2.1 Treasury management strategy

The treasury management strategy for MCA serves 5 main purposes

- Compliance with good practice and legislation;
- Effective management of the authority's cash;
- Optimising returns on investment;
- Ensure that the MCA's capital investment plans are prudent, affordable and sustainable;

- Sound borrowing decisions are taken.

The MCA's capital investment plans set out the capital expenditure for current and future years and how the MCA intends to finance them. Crucially, it identifies the borrowing need of the MCA and the associated financing costs. Longer-term cash flow planning is used to ensure that the MCA can meet its capital spending obligations. This may involve arranging long or short-term loans, or using longer-term cash flow surpluses. Where circumstances allow and it is prudent and economic to do so, existing debt may be restructured. Ultimately, the aim is to ensure that the MCA Group's capital expenditure and investment plans are prudent, affordable and sustainable.

Part of the treasury function ensures that the MCA has sufficient liquidity to ensure cash is available when it is needed to meet spending commitments as they fall due. For the MCA this entails managing a sizeable cash investment portfolio, £241m as at 30/9/19. The MCA's annual investment strategy identifies the appropriate policies and is extremely cognisant of creditworthiness of third-parties, security and liquidity whilst seeking good returns.

To meet these objectives, the treasury management strategy agreed at the start of the year, set out the parameters which the MCA should work within in the form of a series of prudential indicators. This report sets out the mid-year performance against these indicators.

- 2.2** The Treasury Strategy applies to the whole Group and the performance indicators are set accordingly. It should be noted that currently the MCA only has borrowing powers in relation to its transport functions and the indicators reflect this.

2.3 Mid Year Performance

The treasury activities of the MCA in the first 6 months of 2019/20 have been managed within the treasury management strategy and investment strategy approved at the start of the year.

This is illustrated in Appendix 1 which shows that the MCA has operated within the prudential indicators agreed as part of the treasury strategy at the start of the year.

In particular, Members attention is drawn to the fact that:

- The anticipated borrowing requirement to support capital investment plans is within the amount approved – see Indicator 2
- The overall level of borrowing is within overall limits – see Indicators 5 and 6
- The maturity profile of the MCA Group's debt portfolio has not changed. Prevailing interest rates have meant that there has been no real opportunity to repay debt early – see Indicator 7
- Investments have been made in accordance with the Investment Strategy, including longer term investments
- Returns on investments are below the target for the year but above the revised target suggested by the MCA's treasury advisors

3. Consideration of alternative approaches

- 3.1** Do nothing – this is not an option as the MCA would fail to comply with the reporting requirements of the Prudential Code resulting in a loss of scrutiny.

4. Implications

4.1 Financial

Financial implications are set out in the Appendix to this report.

4.2 Legal

None.

4.3 Risk Management

Failure to monitor compliance with the treasury management strategy and investment strategy and related Prudential Indicators, could lead to the MCA making capital investment decisions which are unaffordable or expose the MCA to the risk of loss beyond its risk appetite.

4.4 Equality, Diversity and Social Inclusion

There are no equality, diversity or social inclusion implications.

5. Communications

5.1 None.

6. Appendices/Annexes

6.1 Appendix 1 – Prudential Indicators

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ

Other sources and references: None