

Audit and Standards Committee

10 June 2021

Treasury Management Strategy

Is the paper exempt from the press and public?	No
Purpose of this report:	Governance
Funding Stream:	Not applicable
Is this a Key Decision?	No
Has it been included on the Forward Plan?	No not a key decision

Director Approving Submission of the Report:

Gareth Sutton, Chief Finance Officer/s73 Officer

Report Author(s):

Gareth Sutton

Gareth.Sutton@sheffieldcityregion.org.uk

Claire James

Claire.James@SheffieldCityRegion.org.uk

Executive Summary:

This report presents the draft Treasury Management Strategy for financial year 2021/22.

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

The Treasury Management Strategy supports the authority in meeting its requirement to operate a balanced budget and ensure cash flow is adequately planned. Strong public financial management is a key principle of good governance. Good governance enables the MCA to pursue its ambitions and objectives in the most effective and efficient way, bringing about better outcomes for residents and businesses in South Yorkshire.

Recommendations:

The Audit and Standards Committee are asked to note the Treasury Management Strategy.

1. Background

- 1.1 Regulation and the MCA's Constitution require that the MCA approve the adoption of an Annual Treasury Management Strategy (TMS). The MCA considered and approved the Strategy at their meeting on 22nd March. In line with the terms of reference the Audit and Standards Committee are asked to scrutinise the Strategy.

2. Key Issues

- 2.1 The TMS sets the parameters within which the MCA will deliver its cash and debt management activities. The proposed TMS is appended to this report and includes an Investment Strategy and Prudential Indicators. Progress against this proposed strategy will be reported to the MCA at the mid-year point, and again at outturn.
- 2.2 In common with most other public sector bodies, the MCA's approach to its Investment Strategy is governed by a hierarchy of considerations centred on protecting public funding. This hierarchy places a greater emphasis on the security and the liquidity of the MCA's investments than it does on the yield generated from them.
- 2.3 This relatively conservative approach limits the MCA's exposure to losses arising from counterparty default, but also limits the returns that can be generated from investing cash resource until it is required.
- 2.4 Noting the significant financial uncertainties prevailing in financial markets, the TMS proposes to maintain the current stance, limiting investments to the safest of counterparties.
- 2.5 With interest-rates forecast to remain at record lows for some time, it is likely that revenue generated from the MCA's investment activity will remain lower than previously forecast. The impact of this is felt in the Group's proposed revenue budgets, with depressed income returns impacting upon the scope of activity that can be funded.
- 2.6 The TMS also notes the intention to retire a further £8m of borrowing during the year, following the £53m repaid this year. The repayment of this borrowing reduces the cost of debt by c. £1.20m.
- 2.7 The ongoing retirement of legacy debt will reduce the overall burden of financing costs on the revenue budget and the transport levy. This trend is matched to the release of reserves from the Levy Reduction Reserve, meaning that when that reserve is exhausted the cost of debt will have fallen so significantly that the reserve subsidy can be withdrawn on a more sustainable basis.
- 2.8 Of note in the new financial year is the expectation that the MCA will accrue new powers to borrow for its non-local transport authority activity. The receipt of these powers is contingent on Parliament passing new legislation. It is expected that that process will begin in the summer, concluding in the Autumn.

2.9 Reflecting this, it should be noted that the TMS contains a proposal to increase the operational boundary and the authorised limit on debt the MCA can hold. Whilst at this stage there are no plans to undertake borrowing for new non-LTA activity in the new year, increasing the limits at this stage provides the MCA with the necessary headroom to initiate a programme of borrowing funded activity during the year should the need or opportunity arise. All investment decisions will be subject to the MCA's revised Assurance Framework.

2.10 The TMS further contains an adjustment to the MRP policy to reflect the MCA's intention to use future capital grant allocations to pay down debt that may be incurred in the financing of future gainshare funded schemes. This will allow for the costs of this type of borrowing to be wholly contained within devolution monies, avoiding costs falling onto the transport levy or mayoral precepts unless otherwise planned for.

3. Consultation on Proposal

3.1 Not applicable

4. Timetable and Accountability for Implementing this Decision

4.1 Following MCA approval in March.

5. Financial and Procurement Implications and Advice

5.1 This is a financial report, the details of which are presented in the main body of the report and in the appendices.

6. Legal Implications and Advice

6.1 The MCA is obliged to set a Treasury Management Strategy.

7. Human Resources Implications and Advice

7.1 There are no human resource implication relating to this report.

8. Equality and Diversity Implications and Advice

8.1 There are no equality and diversity implications relating to this report.

9. Climate Change Implications and Advice

9.1 There are no climate change implications relating to this report.

10. Information and Communication Technology Implications and Advice

10.1 There are no information and communication technology implications relating to this report.

11. Communications and Marketing Implications and Advice

12.1 None

List of Appendices Included

A Appendix 1 – Treasury Management Strategy

Background Papers

None