



Report to:	Governance and Audit Committee
Date:	7 March 2024
Subject:	Treasury Management
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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

1. Purpose of this Report

- 1.1 To provide members with an update on Treasury Management activities since the last meeting held in January 2024.

2. Information

- 2.1 The regular governance meetings continue to be held with both Treasury partners (separate arrangements are in place for the Police Fund) to consider and review the transactions relating to investments and treasury management. No areas of concern were raised since the last meeting on 20 February 2024 and 27 October 2023, with Leeds City Council (for the Combined Authority Fund) and Wakefield Council (for the Police Fund) respectively. The high level of cash balances and the challenges with regard to placing funds with approved counterparties, are unchanged since previously reported.
- 2.2 The next meeting with Wakefield Council (for the Police Fund) is, subject to confirmation, to be scheduled for mid to late March 2024.

- 2.3 It remains the intention to bring together all the treasury management arrangements such that they will be administered by a single partner authority and this is a key outcome in the Finance Plan on a Page for 2024/25.
- 2.4 The Combined Authority capital programme wholly relates to investment in Transport infrastructure and Economic regeneration projects. The Police Fund capital programme covers police related schemes such as vehicles, police stations and investment in new information and communications technology. The capital programme for the Police Fund is recorded separately in accordance with legislation and is therefore excluded from the above figures.
- 2.5 The Treasury Management Statement and Strategy was approved by the Combined Authority at their meeting held on 1 February 2024 following approval by members of the Governance and Audit Committee in January 2024.

Economic Outlook

- 2.6 At its meeting on 31 January 2024, the Monetary Policy Committee (MPC) voted to maintain the base interest rate at 5.25%. It is expected to remain around this level until the autumn of 2024 and then decline gradually to around 4.25% by the end of 2026.
- 2.7 Inflation has fallen from its peak of 11.1% recorded in October 2022 to a level of 4% in December 2023. The Bank of England expects inflation to continue to fall in 2024, though more gradually than in 2023, due to lower energy prices and reduced inflation in consumer goods and food. In its latest set of forecasts published in February 2024, it forecast the CPI inflation rate to fall to around 2.75% by Q4 2024. For comparison, in forecasts published alongside the Autumn Statement, the Office for Budget Responsibility (OBR) expects inflation to average 2.8% in Q4 2024.
- 2.8 As with any forecast the above is subject to change and revision as market and economic conditions evolve.

Implementation of the CIPFA Codes of Practice 2021 – Key Update

- 2.9 Work remains ongoing in the implementation of CIPFA's revised Codes of Practice for Capital and Treasury Management from 1 April 2023. The Treasury Strategy Statement 2024/25 has incorporated those requirements and a new reporting pack for GAC continues to be developed.
- 2.10 The proposed new reporting pack has been provided in this paper at **Appendix 1** which shows the summary of the Prudential Indicators.
- 2.11 Although the Capital Financing Requirement (CFR) is predicted to increase over the forecast period external borrowing is not expected to increase as the strategy is to internalise available cash balances. This strategy has the added advantage of reducing

counterparty risk in the cash investment portfolio. The CFR is a balance sheet view of how much the Authority needs to borrow to finance its capital programme which is not funded by other means (e.g. grant).

- 2.12 At the year-end 2024/25 external investment and cash are now expected to be in the region of £500m.
- 2.13 **Appendix 2** shows the 10-year liability benchmark graph and emphasises the expected and significant turnaround in the Authority's cash and investment position. This is projected on the utilisation of the significant cash grants that have been received and the capital programme spend particularly for those programmes that result in a borrowing requirement. The purpose of the graph is to highlight the gap between the liability benchmark (expected need to borrow externally – the red dotted line) and comparing that to the stock of external borrowing anticipated (the stacked bars on the graph). The gap between the two elements highlights the exposure to external borrowing interest rate risk. This is not a significant factor until 2027/28 based on current projections.

3. Tackling the Climate Emergency Implications

- 3.1 There are no climate emergency implications directly arising from this report.

4. Inclusive Growth Implications

- 4.1 There are no inclusive growth implications directly arising from this report.

5. Equality and Diversity Implications

- 5.1 There are no equality and diversity implications directly arising from this report.

6. Financial Implications

- 6.1 The treasury management strategy will inform and shape future financial decision making.

7. Legal Implications

- 7.1 There are no legal implications directly arising from this report.

8. Staffing Implications

- 8.1 There are no staffing implications directly arising from this report.

9. External Consultees

- 9.1 No external consultations have been undertaken.

10. Recommendations

10.1 That the Committee notes the report.

11. Background Documents

None.

12. Appendices

Appendix 1 – Summary of Prudential Indicators

Appendix 2 – Liability Benchmark Graph