

TREASURY MANAGEMENT STATEMENT 2020/21
and review of 2021/22

1. The following sets out the results of the West Yorkshire Combined Authority's borrowing and lending transactions in 2020/21 in accordance with the CIPFA Code of Practice "Treasury Management in Local Authorities" adopted by the Authority.

2. **BORROWING AND INVESTMENT**

Total Loans outstanding at 1/4/2020	£m
Fixed term	75.0
Activity during 2020/21:	
Loan repayment	0.0
Net movement in temporary loans	0.0
Net borrowing	0.0
Loan outstanding at 31/03/2021:	75.0
Activity expected during 2021/2022:	
New borrowing	0.0
Borrowing repaid	0.0
Anticipated loans outstanding at 31/3/2022	75.0
Total Investments	
Investments at 1/04/2020	186.0
Net of new Investment in year	159.0
Investment placed at 31/03/2021	345.0

- 2.1 The schedule of the loans outstanding at 31 March 2021 is set out in the notes to the accounts and is shown in the annex at the end of this appendix.
- 2.2 The Combined Authority's cash balances have been increasing in recent years due primarily to large grant payments for capital schemes being received in advance. These are therefore of a cashflow benefit but cannot be used to repay borrowing as they are not long-term positions. Placing sums on deposit across a number of institutions both reduces exposure risk by ensuring there is not an over reliance on one bank and allows a higher return than leaving the money on overnight deposit. The Combined Authority's regulations on placing money on deposit were reviewed during the previous year and some changes approved regarding the duration of deposits. The quality of the counterparties with whom such deposits can be made has not been changed and remains restricted to those of a high calibre. This follows similar arrangements to those in place at Leeds City Council whose Treasury team assist in managing the Combined Authority funds.
- 2.3 At the year end the Combined Authority had placed a number of sums totalling £345 million on fixed deposit with different counterparties. The approach agreed during the year was to place tranches of funding out ensuring that each quarter there was sufficient flexibility to enable a consideration of future cashflow requirements in order to determine an optimal

investment policy. Full details of the fixed deposits in place at 31 March 2021 are set out at the end of this appendix. In line with the strategy approved during the year there has been a shift to placing funds with appropriate local authorities rather than international banking institutions, in response to the unrest within the financial world.

- 2.4 The Combined Authority has continued with its accountable body responsibilities for the Leeds City Region Enterprise Partnership. This means increased funding being paid to the Combined Authority for example in relation to Growth Deal funding and has led to the changes agreed during previous years to enable these larger sums to be better managed.

3. COMMENT

- 3.1 2020/21 did see a continuation of the overall economic situation, until the Covid-19 pandemic that emerged during March 2020. The impact on 2020/21 has been mixed with some fixed term deposits returning the expected interest, whilst new short term investments have only achieved interest rates of between 0.1 % and 1.4%. In 2020/21 the interest rates have remained low, with the bank base rate of 0.1% since 11 March 2020. Opportunities both to refinance loans and to place money on the market at competitive rates remain limited.
- 3.2 Regular advice was received about the financial market which was closely monitored on behalf of the Combined Authority by Leeds City Council and its advisors. Further development and application of the stringent treasury management policy assisted in ensuring that the Combined Authority's funds were held securely. The agreed policy is to seek to minimise the rate at which the Combined Authority borrows and refinance existing debt when it is advantageous to do so. There have been no such opportunities to do so in the last year and the biggest challenge has been to seek to make best use of increasing cash reserves. As set out above a strategy has been followed to manage these balances within the current investment criteria which are aimed at protecting balances.
- 3.3 The money market is being constantly monitored to ensure that the Combined Authority's bank account is maintained with a minimum cash balance with temporary borrowing and investments being used as appropriate. Two business reserve type accounts are being used to ensure interest from overnight funds is maximised but in the current climate the available rate is negligible and the focus has been on seeking to better forecast cashflow to be able to invest funds for longer periods.
- 3.4 The mechanism to utilise surplus Combined Authority funds by lending them to Leeds City Council has continued during 2020/21. The Chief Financial Officers of each organisation have agreed on the calculation of a rate that is deemed beneficial to both whilst not favouring one over the other. This is modelled on similar arrangements that are in place in other organisations.
- 3.5 As can be seen from the appendix the loan portfolio has not changed. Previously capital expenditure had been financed through borrowing. Due to all Combined Authority funding having been received as direct grant in recent years, the Combined Authority therefore has had no need to make further long

term borrowing and has been instead in a position where borrowings would need to reduce to meet the requirements of the prudential code.

- 3.6 This situation has changed as the Combined Authority is committed to borrowing to meet the local contribution for the West Yorkshire plus Transport Fund, agreed as part of the original City Deal. In addition, local funding has been committed to the Transforming Cities Fund and the arrival of gainshare funding provides an income stream which could be used to support borrowing. As plans are further developed the implications of these on the Treasury Management Policy will be considered and progress and any changes required will be reported back to this Committee..
- 3.7 It has previously been reported to this Committee that the instability in the banking sector led to increased difficulties in managing the Combined Authority's exposure risk. Previously the Combined Authority was able to choose to invest surplus funds in a wide range of British and overseas banks with very high credit ratings and which delivered a useful interest income stream. Since the start of 2009/10, the number of institutions meeting the necessary credit ratings had fallen significantly and within the UK the takeover of high street banks by other high street banks further reduced the scope available. Under the current situation due to Covid-19 this activity has been restricted for the foreseeable future until the economic environment improves.
- 3.8 As well as it being difficult to place funds on the market the interest rates available have been extremely poor, reflecting the very low bank base rate. The policy that continued to be followed during the year was therefore to seek to repay loans if an appropriate opportunity was identified and fund any short-term funding shortfall with a short-term loan. This was not possible during the year, largely due to the low interest rates attached to the current loans and also due to the prevailing PWLB rates.
- 3.9 The average borrowing rate for the Combined Authority continues to be at below 4.5%, well ahead of many local authorities historic debt.
- 3.10 As has been stated all rates continue to be constantly monitored to see if any further refinancing can be undertaken, either to take advantage of opportunities to reduce the Combined Authority's exposure risk or to reprofile the debt to assist in making repayments in the coming years.
- 3.11 The prudential limits set in February are reviewed below.

4 TREASURY MANAGEMENT

- 4.1 All placement of funds during 2020/21 was undertaken by Leeds City Council in accordance with rules approved by the Combined Authority adopting the advice from the Chartered Institute of Public Finance and Accountancy (CIPFA). This ensured all investment decisions sought to ensure the safety of those funds and to limit the Combined Authority's exposure to any one organisation, with the return on the investment being a secondary consideration.

- 4.1 As stated above the Combined Authority's investments and cash position are monitored on a daily basis to ensure any available balances are promptly invested.

5 PRUDENTIAL BORROWING CODE

- 5.1 The 2003 Local Government Act requires local authorities to have regard to the prudential code. Under this code Members approve a treasury management policy and review the prudential indicators for the year.
- 5.2 Members at the Combined Authority budget meeting in February 2021 took the appropriate decisions for 2021/22. Any further changes to the capital programme or changes as a result of the West Yorkshire plus Transport Fund or devolution will be considered to ensure there is no resultant requirement to amend the prudential indicators. Members can, having regard to changing circumstances, approve amendments during the year. This may become necessary as planning for increased capital spend funded through borrowing progresses or as the financial and economic landscape changes due to the Covid-19 pandemic impact.
- 5.3 It is therefore recommended that the following decisions, as taken in February 2021, are endorsed:

5.3.1 That the treasury management policy shall be:

- 5.3.1.1 That the Combined Authority adopts the CIPFA code of practice for Treasury Management in the Public Sector.
- 5.3.1.2 To operate the financing on a short-term basis to minimise both investments and income to avoid taking out expensive loans and re-lending them at a lower rate of interest.
- 5.3.1.3 That there shall be no long-term investments for a term of greater than one year, other than to other local authorities and then only for a period not exceeding 36 months. The limits for each of the next three years are that for investments for a period greater than 364 days, that no more than £20 million will mature in each of 2021/22, 2022/23 and 2023/24;
- 5.3.1.4 To utilise the expertise of the treasury management team in Leeds City Council for future years.
- 5.3.1.5 To use the following rules for short-term investments:-
- 5.3.1.5.1 the investments shall be determined by the Chief Financial Officer.
- 5.3.1.5.2 the Chief Financial Officer shall determine the amounts and periods.

- 5.3.1.5.3 the procedural document as approved for their Treasury Management Division by Leeds City Council shall be adopted in relation to the authority's short-term investments encompassing the council's list of approved financial organisations and the maximum lending limits per organisation, as specified in that document from time to time.
- 5.3.1.5.4 no investment will be for a period exceeding one year, other than as set out in 5.3.1.3.
- 5.3.1.5.5 Investments with Leeds City Council will not exceed £15 million, the interest rate for such deposits being agreed between the Chief Financial Officers of both organisations.
- 5.3.1.5.6 Investments with any one counterparty should not exceed £15 million other than in 5.3.1.3.
- 5.3.1.5.7 Investments with the Combined Authority's bankers are specifically excluded from the limits set out, in recognition of the fluidity of such arrangements.
- 5.4.1.6 To restrict all additional borrowing to meet capital expenditure to the level of specific approvals issued by the government.
- 5.4.2 That as there have been insufficient changes to alter the predictions the prudential limits for the current year be reiterated as set out below:-
 - 5.4.2.1 operational boundary for 2021/22 – £100 million
 - 5.4.2.2 authorised limit for 2021/22 - £469 million
 - 5.4.2.3 maturity loan structure as set out in the budget approvals
 - 5.4.2.4 a variable rate loan limit of 40%
 - 5.4.2.5 a fixed loan limit of 200%

Outstanding Transactions as at 31st March 2021

<u>UID</u>	<u>Counterparty</u>	<u>Reference</u>	<u>Rate</u>	<u>Start</u>	<u>Maturity</u>	<u>Principal (£)</u>
LCR-Growing Places Fund						
<u>Non-Treasury Loans</u>						
7430	Unity House Wakefield Ltd	GPF102 - Unity Hall	5.90000	28/10/13	28/10/28	(1,697,914.06)
7483	Witt and Son	GPF210 - Witt Group	3.02000	26/02/14	26/02/24	(498,076.50)
7645	Canal Road Urban Village Ltd	GPF209 - New Bolton Woods	2.94000	15/08/14	31/12/21	(248,048.03)
7684	GMV 12	GPF204 - Kirkstall Forge	2.63000	09/10/14	09/10/27	(3,890,650.51)
8574	Leeds City Council	GPF308 - RIF GP - CITU Low Fold	6.60000	04/11/16	03/04/21	(1,492,746.51)
8893	FP Processing LTD	GPF315 - FP Processing	4.78000	23/10/17	23/10/22	(800,000.00)
9181	Canal Road Urban Village Ltd	GPF209a - New Bolton Woods	3.50000	29/01/19	31/03/23	(346,000.00)
LCR-Growing Places Fund						(8,973,435.61)
LCR-Local Growth Fund						
<u>Non-Treasury Loans</u>						
8177	Kirklees Metropolitan Borough Council	LGF002A - Kirklees Housing Sites Draw1	0.00000	16/02/16	26/02/27	(200,000.00)
8197	Barnsley Metropolitan Borough Council	LGF003 - Barnsley TC Development	0.00000	25/02/16	29/02/28	(1,757,000.00)
8198	Leeds City Council	LGF004 - Redhall/Whinmoor	0.00000	08/03/16	28/02/27	(4,000,000.00)
8205	Leeds City Council	LGF005 - Leeds Bath Road	0.00000	14/03/16	28/02/27	(575,000.00)
8267	City of Bradford	LGF006 - One City Park Bradford	0.00000	05/04/16	28/02/27	(400,000.00)
8710	Kirklees Metropolitan Borough Council	LGF002B - Kirklees Housing Sites	0.00000	23/03/17	28/02/27	(109,000.00)
8713	York City Council	LGF007 - York Central	0.00000	23/03/17	31/03/27	(2,350,000.00)
8714	Leeds City Council	LGF008 - Leeds Brownfield Sites	0.00000	31/03/17	28/02/27	(1,100,000.00)
LCR-Local Growth Fund						(10,491,000.00)

Outstanding Transactions as at 31st March 2021

<u>Deposit - Fixed</u>		<u>Reference</u>	<u>Rate</u>	<u>Start</u>	<u>Maturity</u>	<u>Principal (£)</u>
9381	Worthing Borough Council		1.40000	28/02/20	28/02/22	(5,000,000.00)
9431	Rotherham BC		1.00000	14/04/20	01/04/21	(15,000,000.00)
9432	London Borough of Croydon		1.00000	30/04/20	01/04/21	(5,000,000.00)
9439	Knowsley MBC		0.95000	04/05/20	29/04/21	(10,000,000.00)
9441	Cambridgeshire CC		1.00000	03/06/20	06/05/21	(10,000,000.00)
9446	Doncaster MBC		0.95000	31/07/20	26/05/22	(5,000,000.00)
9447	Aberdeenshire Council		0.60000	02/07/20	25/05/21	(10,000,000.00)
9448	Liverpool CC		0.50000	01/07/20	01/04/21	(5,000,000.00)
9449	Liverpool CC		0.50000	06/07/20	06/04/21	(5,000,000.00)
9450	Liverpool CC		0.50000	06/07/20	06/04/21	(5,000,000.00)
9451	Guildford BC		0.60000	01/07/20	06/04/21	(10,000,000.00)
9454	Doncaster MBC		0.65000	31/07/20	25/05/21	(5,000,000.00)
9459	Doncaster MBC		0.60000	05/06/20	04/06/21	(5,000,000.00)
9461	Guildford BC		0.50000	02/09/20	02/06/21	(5,000,000.00)
9464	Kingston-Upon Hull		0.50000	28/08/20	08/06/21	(15,000,000.00)
9466	Plymouth CC		0.60000	27/07/20	09/06/21	(15,000,000.00)
9471	Highland Council		0.37000	15/07/20	15/04/21	(5,000,000.00)
9472	Highland Council		0.42000	15/07/20	30/06/21	(5,000,000.00)
9474	Wokingham BC		0.30000	14/08/20	09/07/21	(15,000,000.00)
9475	Woking BC		0.30000	15/07/20	15/04/21	(10,000,000.00)
9478	Cambridgeshire CC		0.35000	06/08/20	13/07/21	(5,000,000.00)
9479	Cheltenham BC		0.30000	17/08/20	13/07/21	(5,000,000.00)
9480	Aberdeenshire Council		0.35000	14/08/20	13/07/21	(5,000,000.00)
9492	Telford & Wrekin Council		0.20000	26/08/20	26/05/21	(5,000,000.00)
9493	Salford MBC		0.23000	01/09/20	25/08/21	(5,000,000.00)
9500	Blackpool BC		0.25000	08/12/20	08/09/21	(5,000,000.00)
9502	PCC Merseyside		0.33000	13/10/20	27/09/21	(10,000,000.00)
9509	Luton BC		0.30000	23/10/20	29/09/21	(5,000,000.00)
9510	Luton BC		0.30000	26/10/20	29/09/21	(10,000,000.00)
9511	Stockport MBC		0.25000	27/10/20	29/09/21	(15,000,000.00)
9513	Cheltenham BC		0.20000	08/12/20	08/06/21	(5,000,000.00)
9514	Cheltenham BC		0.20000	09/12/20	09/06/21	(5,000,000.00)
9515	Slough BC		0.27000	05/11/20	30/09/21	(5,000,000.00)
9516	Kirkless MBC		0.10000	19/10/20	19/04/21	(5,000,000.00)
9517	Conwy Council		0.10000	20/10/20	20/04/21	(5,000,000.00)
9518	Glasgow CC		0.23000	22/10/20	30/09/21	(10,000,000.00)
9519	Thurrock BC		0.40000	08/10/20	06/10/21	(10,000,000.00)
9521	Woking BC		0.30000	22/10/20	19/10/21	(5,000,000.00)
9523	Thurrock BC		0.36000	26/11/20	05/11/21	(5,000,000.00)
9524	Warrington MBC		0.25000	09/11/20	05/11/21	(15,000,000.00)
9525	Bleanau Gwent CBC		0.23000	21/12/20	21/09/21	(5,000,000.00)
9526	Surrey CC		0.23000	27/11/20	09/11/21	(5,000,000.00)
9527	West Dunbartonshire Council		0.20000	13/11/20	13/08/21	(5,000,000.00)
9540	Blackpool BC		0.10000	29/01/21	18/01/22	(10,000,000.00)
Deposit - Fixed						(330,000,000.00)
Deposit - Notice						
9505	National Westminster Bank PLC	WYCA	0.01000	30/09/20	Call	(34,760,836.12)
9508	Svenska Handelsbanken AB	WYCA	0.01000	30/09/20	Call	(14,821,113.35)
9559	Leeds City Council	WYCA	0.10000	29/03/21	Call	(15,000,000.00)
Deposit - Notice						(64,581,949.47)
Fixed Term Deposit (long term)						
7532	Barclays Bank PLC	W4 ITA U4956	3.97000	31/05/05	31/05/65	5,000,000.00
7533	Barclays Bank PLC	W5 ITA U5006	3.80000	24/08/05	24/08/65	5,000,000.00
7534	Barclays Bank PLC	W7 ITA U5231	3.99000	27/10/06	27/10/66	5,000,000.00
7535	Barclays Bank PLC	W8 ITA U5374	4.30000	18/12/06	18/12/76	5,000,000.00
7536	Barclays Bank PLC	W9 ITA U5627	4.32000	02/05/07	02/05/77	5,000,000.00
Lenders option/Borrowers option						25,000,000.00
PWLB - Maturity						
7537	Public Works Loans Board	491184W ITA U5135	3.70000	23/01/06	15/01/56	5,000,000.00
7538	Public Works Loans Board	491481W ITA U5223	4.40000	28/04/06	15/01/52	5,000,000.00
7539	Public Works Loans Board	492865W ITA U5505	4.40000	31/01/07	15/07/54	8,000,000.00
7540	Public Works Loans Board	492866W ITA U5507	4.40000	31/01/07	02/06/53	8,000,000.00
7541	Public Works Loans Board	493266W ITA U5645	4.55000	03/05/07	10/06/52	4,000,000.00
7542	Public Works Loans Board	493268W ITA U5646	4.55000	04/05/07	27/04/55	6,000,000.00
7543	Public Works Loans Board	493269W ITA U5647	4.55000	04/05/07	25/04/56	6,000,000.00
7544	Public Works Loans Board	493270W ITA U5648	4.55000	04/05/07	18/04/57	8,000,000.00
PWLB - Maturity						50,000,000.00
WYCA						(319,581,949.47)