
Report to: Governance and Audit Committee

Date: 28 July 2022

Subject: **Treasury Management**

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1 Purpose of this report

- 1.1 To provide members with information on the treasury management arrangements in place for the West Yorkshire Combined Authority.

2 Information

- 2.1 Members received a presentation on treasury management at their last meeting. One of the conclusions of this was to provide more information on this to each meeting, in line with some of the changes in regulations and a separate paper will now be provided to each meeting with further detail.
- 2.2 The regular governance meetings continue to be held with Leeds City Council to consider and review the transactions relating to investments and treasury management. The last meeting was on 14th July 2022 and no areas of concern were raised. The high level of cash balances was considered and the challenges this presents with regard to placing funds with approved counterparties, unchanged since previously reported.
- 2.3 A breach in mandate was reported to the CA on the 29th June, following an administration error. A £15m trade with a maturity date marginally outside the approved mandate terms was entered into and cannot be broken without incurring a brokerage fee. A review of the risk has been carried out and is felt that it does not materially increase risk to the CA and is being reported as matter of process.
- 2.4 A further breach was reported to the CA on the 6th July, following completion of set up of a new counterparty and the lengthy process this takes. A change in credit rating for the counterparty had not been checked ahead of placing the funds, the implication being a £15m 3 month trade was made and the change in credit rating restricts trade limits to be £5m. Leeds City Council immediately contacted the Broker to lower the trade value but the full value of the placement had already been further invested. The risk is minimised due to the

short term duration and will be closely monitored. It is highly unusual for such breaches to occur and the team have taken steps to ensure this situation should not happen again.

- 2.5 The increase in interest rates was discussed; this impacts on both borrowing and placing funds on deposit. Given the cash balances held by the Combined Authority it is expected that there will be an improved revenue position for the current financial year and this will be further modelled as part of the budget reforecasting work underway.
- 2.7 The CA continues to work with both Treasury partners (separate arrangements are in place for the Police Fund) whilst we progress our tender process to have a single partner authority. We have had two of our local council partners that have expressed their interest in providing this service. We aim to have the service in place as early as possible in the new financial year.
- 2.7 It is intended to bring to future meetings an update on the prudential indicators, and narrative to support and inform the Committee further on its responsibilities with regard to treasury management.

3 Financial Implications

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

4 Legal Implications

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

5 Staffing Implications

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

6 External Consultees

- 6.1 No external consultations have been undertaken.

7 Recommendations

- 7.1 That the Committee note the position on treasury management and considers what further information it wishes to receive on treasury management.

8 Background Documents

None.

9 Appendices

None.