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**Report to:** Governance and Audit Committee

**Date:** 12 January 2023

**Subject:** **Treasury Management**

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**Director(s):** Angela Taylor, Director, Finance and Commercial Services

**Author(s):** Celia Yang, Group Finance Manager

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## **1 Purpose of this report**

- 1.1 To endorse the Treasury Management Statement and Strategy prior to their consideration by the Combined Authority.

## **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<sup>th</sup> October and 10<sup>th</sup> November 2022, with Leeds City Council and Wakefield Council respectively. The high level of cash balances and the challenges with regard to placing funds with approved counterparties, unchanged since previously reported.
- 2.2. It is intended to bring together all the treasury management arrangements such that they will be administered by a single partner authority. The Treasury Management Strategy encompassing the whole organisation is attached as **Appendix 1**.
- 2.3. 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.
- 2.4. The full budget report is in preparation for the Combined Authority meeting of 2 February 2023. This will include the Treasury Management Statement and Strategy. These are included at Appendix 1 and comments on the draft statements are invited from members. Members are asked to note that the Treasury Management Statement (TMS) and arrangements are required to cover the whole organisation but recognising that the decision making

arrangements are different for policing activity and for the rest of the Combined Authority. The draft TMS has been updated for the new requirements of the Codes of Practice as set out below, and provides the framework for planned treasury activities, and the capacity for these to be extended for any further borrowing required.

### **Implementation of the CIPFA Codes of Practice 2021 – key update**

- 2.5. Members were informed in the last meeting that work was ongoing in the implementation of CIPFA’s revised Codes of Practice for Capital and Treasury Management from 1 April 2023. The Treasury Strategy Statement 2023/24 has incorporated those requirements. The key areas updated are as follows:

#### Treasury Management Reporting

Annual strategy report (this report), and half year report and outturn report to be introduced from 2023/24.

#### Prudence in borrowing and investment

Non treasury investment should be clearly identified and reported reflecting their service or commercial purposes, especially for those commercial investments taken or held primarily for financial return. The objective is that risks associated with such investment are proportionate to its financial capacity.

#### Prudential Indicators (PIs)

- New PI’s for non- treasury investments (for above)
- Liability benchmark for debt - a tool of monitoring and planning for future borrowing requirement (separate for the CA fund and police fund). It aims to minimise or reduce refinancing, interest rate and credit risks by profiling the borrowing portfolio against a benchmark. It equals net loans requirement plus short-term liquidity allowance. Any substantial mismatches between actual loan debt outstanding and the liability benchmark should be explained. Any years where actual loans are less than the benchmark indicate a future borrowing requirement; any years where actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment.
- PI monitoring tool for in year reporting with financial health is reported quarterly from 2023/24.
- PI’s reflect ring fenced accounts (i.e. Police Fund portfolio)

### **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 The appendices seek to ensure compliance with the CIPFA Code of Practice.

## **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 consider the position on treasury management and the attached treasury management statement and provide any feedback on its contents.

## **11 Background Documents**

None.

## **12 Appendices**

Appendix 1 – Treasury Management Strategy Statement 2023/24