



<b>Report to:</b>	Governance and Audit Committee
<b>Date:</b>	11 January 2024
<b>Subject:</b>	<b>Draft Treasury Management Statement and General Reserves Strategy</b>
<b>Director:</b>	Angela Taylor, Director Finance and Commercial Services
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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 checked="" type="checkbox"/> Yes <input 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 endorse the Treasury Management Statement and Strategy prior to their consideration by the Combined Authority.
- 1.2 To endorse the general reserves strategy prior to its consideration by the Combined Authority.

## 2 Information

### Treasury management

- 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 25<sup>th</sup> October and 27<sup>th</sup> 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. 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 1 February 2024. 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 reflects all of the requirements of the CIPFA Codes of Practice 2021 and provides the framework for planned treasury activities, and the capacity for these to be extended for any further borrowing required.

#### Reserves

- 2.5. The Combined Authority has a number of usable and unusable reserves that will be considered as part of the budget setting process. Members will recall that the overall position was presented to the Combined Authority at its October meeting. At that meeting the decision was taken to repay the £51.2 million West Yorkshire plus Transport Fund reserve that had been created to meet the local contribution required, and build it back up from 2024/25, to better match need. This was an opportunity to respond to the difficult financial circumstances facing local authorities at that point, and has reduced the current level of cash balances and thereby reduced slightly the interest being earned. The other key reserve to be considered is the general reserve and the Committee is asked to consider the approach to this ahead of the budget meeting in February.
- 2.6. The budget proposal that will be considered by the Combined Authority in February should be supported by an appropriate reserves policy. Good practice is that such a policy should be based on a risk assessment of the different areas of spend and income and as such will vary from year to year and from organisation to organisation. The impact of both the after-effects of the pandemic and the current economic crisis is that risks are increased in terms of size and impact. The workings for this year's reserves policy are set out in **Table 1** below and are based on the approach taken in previous years with an updated assessment of the relative risks currently facing the Combined Authority. In previous years Members have been keen to understand how this compared to any national guidance and accepted that while a strategy of 5% is a prudent starting point, final decisions should reflect the extent of any earmarked reserves and the particular risk around different areas of income and expenditure.

- 2.7 In proposing maintaining the general reserve at £14m the Combined Authority is mindful both of the pressure on local authorities and that these pressures are such that holding high levels of reserves may not be helpful. The table below shows the areas of volatility, and where it is prudent to hold a level of reserves to enable in-year challenges to be responded to.

**Table 1: General Reserves Policy**

<b>Reserves Policy</b>	<b>Budget 2024-25 £m</b>	<b>Reserves 2024-25 £m</b>
<b>Risk on Concessions</b>	48.60	
10% contingency for risks on patronage volumes and changes to the reimbursement model by DfT on ENCTS		3.60
<b>Risk on Subsidised Bus services (gross)</b>	40.70	
10% contingency due to inflationary and market conditions		4.07
<b>Risk (general) on other areas of activity</b>		
Transport operations (excl concessions and tendered services) 10%	12.00	1.20
Payroll inflation (assumed at 3%, risk it could be up to 5%)	38.03	0.76
Other- legal/financial/litigation etc		4.50
<b>Total reserves required</b>		<b>14.13</b>

- 2.8 The views of the Committee are sought to enable the finalisation of the treasury management strategy and general reserves strategy prior to their inclusion in the budget paper in February.

### **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 and the reserves strategy forms a fundamental part of the wider financial strategy.

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

10.2 That the Committee consider the general reserves strategy and provide any feedback on its contents.

## **11. Background Documents**

There are no background documents referenced in this report.

## **12. Appendices**

Appendix 1 – Draft Treasury Management Strategy Statement 2024/25