

Financial Strategies

To: Audit and Governance Committee

Meeting Date: 28 January 2022

From: Robert Emery
Deputy Chief Finance Officer

Recommendations: The Audit and Governance Committee is recommended to:

- a) Review and comment upon the Capital, Investment and Treasury Management Strategies for 2022-23 and the 2022-23 Minimum Revenue Provision (MRP) statement.

Voting arrangements: A simple majority of members present and voting.

1. Purpose

- 1.1 The purpose of the report is for the Audit and Governance Committee to review the proposed Capital, Investment and Treasury Management Strategies and MRP Statement for 2022/23.

2. Background

- 2.1. According to its Terms of Reference, the Audit and Governance Committee shall “ensure there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA's Code of Practice”.
- 2.2. The Treasury Management in the Public Services: Code of Practice 2017 recommends that Members receive regular reports on the authority's treasury management policies, practices, and activities.
- 2.3. The figures used in the strategies reflect the Budget and Medium Term Financial Plan (MTFP) being proposed to the Combined Authority Board at it's January meeting. These figures will be updated to reflect the approved budget, and any other relevant budgetary decisions made at that meeting before the final versions are presented for approval to the Combined Authority Board in March.

3. 2022-23 Strategies

- 3.1. The following strategies have been updated for 2022/23 and are attached as Appendix 1 with changes since the 2021/22 equivalents marked.
 - (a) Capital Strategy:** To provide a high-level overview for elected members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.
 - (b) Investment Strategy:** To meet the requirements of statutory guidance in which the Authority would support local public services by lending to or buying shares in other organisations, or to earn investment income
 - (c). Treasury Management Strategy:** Being the management of the Authority's cash flows, borrowing and investments and the associated risks.
 - (d) Minimum Revenue Provision Statement:** An DLUHC requirement to approve an MRP Statement each year to ensure that capital expenditure is financed over a reasonable period
- 3.2. The Committee is asked to review the suite of strategies ahead of being taken to the Board for approval in March.

4. Changes since the 2021/22 Strategies

Minimum Revenue Provision Statement

- 4.1. The MRP statement has been updated to reflect the change to accounting standards relating to leases (International Financial Reporting Standard 16) which comes into force

for Local Authorities on the 1st April 2022. The only material lease the Combined Authority holds is for the office space in Ely on a short-term contract, but we are anticipating starting a lease on a new office for the Combined Authority within the year.

- 4.2. This change in accounting standards is aimed to recognise leased assets, and liabilities, onto an organisation's balance sheet as it was possible for entities to 'hide' their real financial position under the previous rules. As the Combined Authority has no 'off balance sheet' assets or liabilities no material effect to our accounts is expected.

Capital Strategy

- 4.3. There are no significant changes to this year's Capital Strategy. The changes made are updates to the amounts to bring them in line with the newly approved capital programme and a wording change to reflect the current considerations of where debt financing may be applied within the Combined Authority's.

Investment Strategy

- 4.4. As the Combined Authority is not issuing any new housing loans, because the capital repayments from existing loans are being directed into grants for affordable housing, the section on the Investment Strategy relating to the conditions for housing loans has been reduced.
- 4.5. A number of limits in the investment strategy have been updated to reflect reduced expected investment into subsidiary companies over the next 12 months. This is in light of the Cambridgeshire Autonomous Metro (CAM) programme ceasing, and the Levelling Up Fund grant being awarded to Peterborough City Council rather than the Combined Authority and thus shares purchased with it not being held on the Combined Authority's balance sheet.

Treasury Management Strategy

- 4.6. The economic context section of the strategy has been updated to reflect the current national and international situation, beyond this there have been no major changes to the adopted indicators for 2022/23 compared to 2021/22
- 4.7. Minor changes include specifying the new UK Infrastructure Bank as a potential source of loan finance, committing to spreading the Authority's liquid assets across more providers to reduce our risk of exposure to any single entity, reducing the liquidity risk indicator to reflect lower anticipated balances by the end of the year and updating the year one 'Price risk indicator' due to a change in how it is calculated.

Significant Implications

5. Financial Implications

- 5.1. None other than those highlighted in the main body of the report.

6. Legal Implications

- 6.1. Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414), which clarifies the requirements of the Minimum Revenue Provision guidance.

7. Other Significant Implications

- 7.1. None

8. Appendices

- 8.1. Appendix 1 – Cambridgeshire and Peterborough Combined Authority Draft Strategies 2022-23
- 8.2. Appendix 2 – Cambridgeshire and Peterborough Combined Authority Draft Strategies 2022-23 (with track changes)

9. Background Papers

- 9.1. [Cambridgeshire and Peterborough Combined Authority Capital Strategy 2021-22](#)
- 9.2. [Cambridgeshire and Peterborough Combined Authority Investment Strategy 2021-22](#)
- 9.3. [Cambridgeshire and Peterborough Combined Authority Treasury Management Strategy 2021-22](#)