



CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY BOARD	AGENDA ITEM No: 2.2
25 MARCH 2020	PUBLIC REPORT

TREASURY MANAGEMENT STRATEGIES 2020/21

1.0 PURPOSE

1.1 This report provides the draft Treasury Management Strategies for 2020/21.

<u>DECISION REQUIRED</u>	
Lead Member:	Councillor Steve Count, Lead Member for Investment and Finance
Lead Officer:	Jon Alsop, Chief Finance Officer (Section 73 Officer)
Forward Plan Ref: n/a	Key Decision: No
<p>The Combined Authority Board is recommended to:</p> <p>a) Approve the following Treasury Strategies:</p> <ul style="list-style-type: none">i. The Capital Strategy 2020/21ii. The Treasury Management Strategy 2020/21iii. The Investment Strategy 2020/21iv. The Minimum Revenue Provision Statement 2020/21 <p>b) Approve the creation of a £40m 'top up' fund to extend the availability of recycled funding to bring additional affordable housing to the market.</p>	Voting arrangements Simple majority of all Members

2.0 BACKGROUND

2020/21 Strategies

- 2.1. Under the Combined Authority's Constitution, the Combined Authority Board is responsible for the adoption of, and any amendment to, the Treasury Management Strategy.
- 2.2. The Audit and Governance Committee's role is to 'ensure there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA's Code of Practice'
- 2.3. The Combined Authority appointed Arlingclose as its Treasury Advisors with effect from 1 August 2019 to support the Combined Authority in developing strategies that are tailored to the specific requirements, constraints and ambitions of the Combined Authority.
- 2.4. The following strategies have been drafted with the support of Arlingclose for 2020/21 to provide a framework for the Combined Authority's management of its financial affairs.
 - (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) **Treasury Management Strategy:** Being the management of the Authority's cash flows, borrowing and investments and the associated risks.
 - (c) **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.
 - (d) **Minimum Revenue Provision (MRP) Statement:** A Ministry of Housing, Communities and Local Government (MHCLG) requirement to approve an MRP Statement each year to ensure that capital expenditure is financed over a reasonable period.
- 2.5. The Board is asked to approve the Treasury Strategies as shown in the appendices.

£40m 'top up' fund

- 2.6. As part of its Treasury and Investment Strategies, the Board is asked to approve the creation of a £40m 'top up' fund to extend the availability of recycled funding to bring additional affordable housing to the market.
- 2.7. The additional funds would be made available from existing cash balances to enable quicker delivery and more affordable housing.
- 2.8. At the September 2018 meeting, the Board agreed a concept of creating a revolving fund of £40m from within the £100m programme for housing investment, to run within and beyond the 5-year programme.

- 2.9. A clear benefit of a revolving fund is that it will remain at the end of the loan period and will also return interest and profit share to the CPCA to potentially increase the fund and to provide affordable housing above what the market is able to deliver.
- 2.10. As at 29 February 2020, the Combined Authority had £170.2m of 'treasury' investments (mainly with Local Authorities) providing an average annual return of 0.84%. These balances are held in accordance with the Combined Authority's current Treasury Management Strategy and the principles of 'security' as a first priority, then 'liquidity', to ensure funds are available to be drawn down when needed to support the activities of the Combined Authority (including its Capital Programme) and then 'yield'.
- 2.11. The success of the initial £40m revolving fund and the availability of 'cash' balances held by the Combined Authority provides an opportunity to create a 'top up' £40m fund.
- 2.12. Whilst the revolving £40m fund derives from the £100m grant funding for affordable housing, the 'top up' fund is 'treasury' cash, being earmarked for other projects within the Medium Term Financial Plan (MTFP), but available for investment until such time as they are required to be drawn down to fund delivery. The availability of these balances is identified within the Authority's cashflow forecast. The criteria for the use of these balances will be consistent with the fundamental treasury management concepts of 'Security' first, then 'Liquidity' and then 'Return'.
- 2.13. The two £40m funds will be managed such that 'investments' can be transferred between them according to how they meet the criteria of each fund.

3.0 FINANCIAL IMPLICATIONS

- 3.1. There are no financial implications other than those included in the main body of the report.

4.0 LEGAL IMPLICATIONS

- 4.1. 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 Authority 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.

5.0 SIGNIFICANT IMPLICATIONS

- 5.1. There are no other significant implications.

6.0 APPENDICES

- Appendix 1 – Draft Capital Strategy 2020/21
- Appendix 2 – Draft Treasury Management Strategy 2020/21
- Appendix 3 – Draft Investment Strategy 2020/21
- Appendix 4 – Draft Minimum Revenue Provision Statement 2020/21

<u>Source Documents</u>	<u>Location</u>
CA Board 26 September 2018 - reports	https://cambridgeshirepeterboroughcagov.cmis.uk.com/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/913/Committee/63/Default.aspx