

Financial Strategies

To: Audit and Governance Committee

Meeting Date: 02 December 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 2023-24 and the 2023-24 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 2023/24.

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 draft Budget and Medium Term Financial Plan (MTFP) being proposed to the Combined Authority Board at its November meeting. These figures will be updated to reflect the approved budget following the final decision in January, 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. 2023-24 Strategies

- 3.1. The following strategies have been updated for 2023/24 and are attached as Appendix 1 with changes since the 2022/23 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 2022/23 Strategies

Minimum Revenue Provision Statement

- 4.1. There are no significant changes to the MRP statement.

Capital Strategy

- 4.2. The inclusion of the liability benchmark is now a requirement of the Treasury Management Code and the calculation of this benchmark has been updated to reflect the required methodology.
- 4.3. Other changes made are updates to the amounts to bring them in line with the updated capital programme and some additional explanation of risk management approaches.

Investment Strategy

- 4.4. A number of limits in the investment strategy have been updated to reflect updated capital programme. This reflects the planned repayment of the affordable housing loans by May 2023 and the investments made into subsidiary companies.

Treasury Management Strategy

- 4.5. The economic context section of the strategy has been updated to reflect the current national and international situation and a section had been added on the Liability Benchmark which is now a requirement of the Treasury Management code.

- 4.6. The Treasury Investment Strategy section has been updated to reflect current market conditions, including removal of the section on negative interest rates and a commitment has been added to consider environmental, social and governance (ESG) issues when investing.
- 4.7. The liquidity risk indicator of total cash available within 3 months has been reduced from £25m to £15m to reflect reduced forecast balances due to the conclusion of the energy retrofit programme. Beyond this there have been no major changes to the adopted indicators for 2023/24 compared to 2022/23

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 2023-24
- 8.2. Appendix 2 – Cambridgeshire and Peterborough Combined Authority Draft Strategies 2023-24 (with track changes)

9. Background Papers

- 9.1. [Cambridgeshire and Peterborough Combined Authority Capital Strategy 2022-23](#)
- 9.2. [Cambridgeshire and Peterborough Combined Authority Investment Strategy 2022-23](#)
- 9.3. [Cambridgeshire and Peterborough Combined Authority Treasury Management Strategy 2022-23](#)