



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

Agenda Item No: 2.2

## 2022-23 Financial Strategies

- To: Cambridgeshire and Peterborough Combined Authority Board
- Meeting Date: 30 March 2022
- Public report: Yes
- From: Jon Alsop, Chief Finance Officer
- Key Decision: No
- Forward Plan ref: n/a
- Recommendations: The Combined Authority Board is recommended to:
- a) Approve the following financial strategies:
    - i. The Capital Strategy 2022-23
    - ii. The Investment Strategy 2022-23
    - iii. The Treasury Management Strategy 2022-23
  - b) Approve the Minimum Revenue Provision statement for 2022-23
- Voting arrangements: A simple majority of members present and voting.
- To be carried, the vote must include the vote of the Mayor, or the Deputy Mayor when acting in place of the Mayor.

# 1. Purpose

- 1.1 The purpose of the report is for the Combined Authority Board to review and approve the proposed Financial Strategies and Minimum Revenue Provision statement for 2022/23.

# 2. Background

- 2.1. Under the Combined Authority's Constitution the Combined Authority Board is responsible for the adoption of, and any amendments to, the Financial Strategies.
- 2.2. 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".
- 2.3. The Audit and Governance Committee have reviewed the revised strategies for 2022-23 at their January and March meetings and their views are reflected in the proposed documents.

# 3. 2022-23 Strategies

- 3.1. The following strategies have been updated for 2022-23 and are attached as Appendix 1.

**(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 Statement:** A DLUCH requirement to approve an MRP Statement each year to ensure that capital expenditure is financed over a reasonable period

- 3.2. The Board is asked to review the suite of strategies for adoption from the 1<sup>st</sup> April 2022.

# 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.
- 4.6. On advice from the Combined Authority's treasury management advisors the section of the investment strategy which covers equity investments has been significantly expanded. This does not reflect a change in process or procedure rather it sets out the existing practices which have been, and will continue to be, in place.
- 4.7. In addition to joint ventures to directly deliver core strategic objectives of the Combined Authority, such as the University of Peterborough and Business Growth Service, the Combined Authority also owns equities in small private companies as a result of the Combined Authority's role as the accountable body for the Business Board's Local Growth Fund – the primary output required from the Growth Funds are jobs and the Business Board have recommended several programmes which help support high growth potential start-up businesses in return for small equity holdings with the intention that these businesses will grow locally and create new jobs in the area.
- 4.8. As this is an unusual role for a Local Authority to be in, and investments in early-stage start-ups are high risk, our treasury management advisors recommended that more detail be included on these investments so that stakeholders of the Combined Authority could understand these holdings; including the rationale behind them and the risk mitigations that are in place to insulate the Combined Authority from the volatilities of high-risk investments.

## Treasury Management Strategy

- 4.9. 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
- 4.10. 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. Public Health Implications

- 7.1. The adoption of the revised strategies will have a neutral direct effect on Public Health.

### 8. Environmental and Climate Change implications

- 8.1. The adoption of the revised strategies will have a neutral direct effect on the Environment, the Combined Authority is looking into the possibility of utilising positive ESG funds as part of its Treasury Management function however there are no appropriate funds with verified ESG credentials on the market at time of drafting.

### 9. Other Significant Implications

- 9.1. None

### 10. Appendices

10.1. Appendix 1 – Cambridgeshire and Peterborough Combined Authority Draft Strategies 2022-23

Appendix 1a: Capital Strategy 2022-23

Appendix 1b: Investment Strategy 2022-23

Appendix 1c: Treasury Management Strategy 2022-23

Appendix 1d: MRP Statement 2022-23

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

Appendix 2a: Capital Strategy 2022-23 (with tracked changes)

Appendix 2b: Investment Strategy 2022-23 (with tracked changes)

Appendix 2c: Treasury Management Strategy 2022-23 (with tracked changes)

Appendix 2d: MRP Statement 2022-23 (with tracked changes)

Accessible versions of the information contained in these appendices is available on request from [democratic.services@cambridgehirepeterborough-ca.gov.uk](mailto:democratic.services@cambridgehirepeterborough-ca.gov.uk)

## 11. Background Papers

11.1. [Cambridgeshire and Peterborough Combined Authority Capital Strategy 2021-22](#)

11.2. [Cambridgeshire and Peterborough Combined Authority Investment Strategy 2021-22](#)

11.3. [Cambridgeshire and Peterborough Combined Authority Treasury Management Strategy 2021-22](#)