

WEST HERTS CREMATORIUM JOINT COMMITTEE
TREASURY MANAGEMENT AND INVESTMENT STRATEGY

(June 2022)

1. Executive Summary

- 1.1 In accordance with the Local Government Act 2003 local authorities are required to produce an Investment Strategy each year. Although not specifically targeted at Joint Committees, the Joint Committee adopts this statutory requirement to produce its own Treasury Management and Investment Strategy.
- 1.2 This document covers potential levels of borrowing and investments.
- 1.3 The Joint Committee will maintain interest bearing accounts for its surplus resources, and will also invest in short term fixed interest investments with its own bankers, Lloyds TSB, and with other approved institutions.
- 1.4 The Joint Committee may also invest in a qualifying, pooled money market fund. This may be with an approved bank or with an approved institution regulated by the UK FSA or FCA with an AA credit rating.
- 1.5 Investments are made within the limits set out in the approved counterparty list in paragraph 5.5 below, but may be made outside this list following advice received from one of the constituent authorities and with the approval of the Joint Committee Chairman.

2. Background

- 2.1 The Joint Committee's Memorandum of Agreement states "If the Joint Committee requires to incur capital expenditure in connection with the provision of crematoria, which it cannot fund from revenue, it may request one or more of the constituent Councils to lend it the money or borrow the funds on its behalf for such periods, at such rates of interest and on such terms and conditions of repayment as the Joint Committee may reasonably prescribe or approve".
- 2.2 Local Authorities (and by inference Joint Committees of local authorities) have the power to invest to ensure the prudent management of their financial affairs, but must take note of any guidance on investments issued by the Secretary of State.
- 2.3 Executive decisions on borrowing and investments are delegated to the Treasurer, as laid down in the Joint Committee's financial procedures. Investments will be made with reference to cash flow requirements and the outlook for short-term interest rates, and the Joint Committee's investment priorities will be firstly security, secondly liquidity, and thirdly return.
- 2.4 This strategy is to be reviewed annually by the Joint Committee.

3. Treasury Management

- 3.1 Subject to any decision by the Joint Committee, capital expenditure not financed by capital receipts (from asset sales) will be financed by revenue contributions. Revenue balances and reserves will be built up in accordance with the budget plan, in order to provide the revenue resources for capital spending.
- 3.2 The Joint Committee may decide to borrow as a last resort, if accumulated revenue resources prove inadequate, or in a case of urgency, provided the revenue budget is able to sustain the repayments of principle and interest.

Investments

- 3.3 Projected investments for 2022/23 are summarised as follows:

	<i>1st April 2022</i>	<i>31st March 2023 (Estimated)</i>
	<i>£'000</i>	<i>£'000</i>
Instant access interest bearing bank deposits	1,082	411
Bank treasury investments	503	0
Money Market Funds	772	772
Total	2,357	1,183

- 3.4 The anticipated investments during 2022/23 reflects the building of the new crematorium using Bank Treasury investments and some of the balance on the Instant Access Account reserves. The slight increase in Money Market Funds shows a retained a balance with the small interest addition.
- 3.5 There are no proposals for the Joint Committee to invest sums for more than 365 days.
- 3.6 Investments will only be affected with banks, building societies and qualifying money market funds regulated by the UK FSA or FCA. Only institutions and bodies meeting the criteria laid out in section 5 will be considered.

Projected Borrowing for 2022/23

- 3.7 There were no outstanding borrowings at 1st April 2021. For 2022/23 there are plans which would lead to the need to borrow during the financial year. The new crematorium project is likely to require borrowing during 2022/23, after being delayed from 2020/21.
- 3.8 The project has now been granted planning permission and it is anticipated that work on site will commence in the summer.
- 3.9 The loan is to be provided by Dacorum Borough Council and is underwritten by the other Joint Committee members. The loan is for 20 years and the loan rate will be fixed at 2% above the PWLB rate at the time the loan is drawn down. It is anticipated that this will be 5% or less.

4. Security of Investments

- 4.1 Government guidance differentiates between specified investments and non-specified investments. Specified investments are those offering a high security and high liquidity with a maturity of no more than a year, and must be with bodies/institutions with "high credit ratings".
- 4.2 Non-specified investments are usually for longer periods (more than one year) and with bodies that are not highly credit-rated. The Joint Committee will not invest in these.

5. Investment Strategy

- 5.1 The Joint Committee will ensure that, as a minimum, surplus funds will be aggregated in an interest-bearing bank account.
- 5.2 The Joint Committee will invest in specified investments, i.e. in sterling investments of no more than one year, with its bankers (Lloyds TSB) or other investment bodies or institutions with high credit ratings. These investments will be put in place when funds are of a sufficient size to make such investments practical. The Treasurer (or the Accountant on his behalf) will assess the funds available and invest them in line with the counterparty list in 5.5, taking into account available interest rates and current credit ratings.
- 5.3 No more than 75% of all funds will be in fixed term investments.
- 5.4 Any investment in an institution not included on the counterparty list will meet the criteria set out in 5.6 and will only be made following approval of the Chairman.
- 5.5 Approved counterparty list:

<i>UK Bank or Building Society</i>	<i>Max. investment £'000</i>	<i>Maximum term</i>
Lloyds TSB	1,500	Instant access
Lloyds TSB	500	1 year
Lloyds TSB	500	9 months
Lloyds TSB	500	6 months
Lloyds TSB	500	3 months
HSBC	500	3 months
Nationwide Building Society	500	3 months

AAA-rated Money Market Fund

CCLA (Public Sector Deposit Fund)	2,000	Instant access
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The above maximum investment levels reflect an increase on the previous year's approved levels – reserves have increased in anticipation of the planned extension of the Joint Committee's facilities and for other capital projects in future years.

- 5.6 The Joint Committee will only invest in institutions and bodies meeting the following criteria:
- UK Clearing Banks and their 100% owned subsidiaries
 - Other UK Banks
 - Public Bodies
 - The top UK Building Societies (i.e. those with assets exceeding £3.0bn)
 - UK FSA/FCA regulated qualifying money market funds with an AA rating

- 5.7 As the Joint Committee does not make use of creditworthiness advice services it will periodically consult with the Treasurer's own council finance service to review the creditworthiness of its counterparty list.
- 5.8 The Joint Committee will have regard to the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Joint Committees' investment priorities are security first, liquidity second, then yield.