

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	AGENDA ITEM NUMBER
MEETING DATE:	27 MARCH 2015	
TITLE: TREASURY MANAGEMENT POLICY		
WARD: 'ALL'		
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 The proposed Treasury Management		

THE ISSUE

- 1.1 The Fund’s Treasury Management policy was approved in March 2014. The policy closely mirrors the Council’s policy set out in the Councils’ Annual Investment Strategy.
- 1.2 The Committee are asked to approve the Treasury Management policy each year.
- 1.3 The policy proposed for 2015/16 differs from the policy approved in March 2014 in that it removes the restriction of approved counterparties to only those based in the UK. All the required credit ratings and investment limits remain unchanged. The proposed policy is set out in Appendix 1.

2. RECOMMENDATION

- 2.1 That the Committee approves the Treasury Management Policy as set out in Appendix 1**

3 FINANCIAL IMPLICATIONS

- 3.1 The Fund requires accessibility to short term cash investments to meet its day to day operating requirements. Cash received in contributions needs to be invested for periods from a few days to less than three weeks before being used to meet the payment of pensions. This short term investment of up to £25m earns interest and incurs transfer costs. However the significance of an efficient means of short term investment is to ensure that the payment of pensions can be achieved on time and without incurring unplanned borrowing costs.

4 THE REPORT

- 4.1 The proposed Treasury Management policy closely mirrors the policy set out in the Councils' Annual Investment Strategy. The Pension Fund's Treasury Management is managed by the Council's Treasury Management team. The Pension Fund and Council have a similar attitude to Treasury Management risk. The use of similarly formatted policies reduces the risk of error. Where the policy limits differ, it is a reflection of the different cash flow requirements and the amounts of cash that need to be invested.
- 4.2 The Fund has previously made extensive use of Barclays Platinum Call account. The rules of access to this account particularly suited the Fund's cash flow requirements. Barclays have announced their intention to withdraw this account. In order to use an equivalent alternative without increasing the limits on existing accounts, it will be necessary to use a bank outside the UK. It is therefore proposed that the Fund's restriction to UK banks be lifted. The required credit ratings and investment limits remain unchanged and all potential counterparties are continuously monitored using the advice of external consultants.
- 4.3 The Pension Fund's Treasury Management Policy was originally restricted to UK banks because it was not expected that the Fund would require many counterparties. Extending the Policy to non UK banks brings the Fund in to line with the Council's Treasury Management Policy. The credit ratings of non UK banks reflect any issues around the regulations and jurisdiction governing those banks. Consequently there is no difference in the level of risk between UK banks and non UK banks with equal credit ratings.

5. RISK MANAGEMENT

- 5.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. In addition it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations.

6. EQUALITIES

- 6.1 This report provides recommendations about the Fund's Treasury Management Policy and no specific equalities impact assessment was carried out.

7. CONSULTATION

- 7.1 None appropriate.

8. ISSUES TO CONSIDER IN REACHING THE DECISION

- 8.1 The issues are detailed in the report.

9. ADVICE SOUGHT

1.1 9.1 The Council's Monitoring Officer (Divisional Director – Legal & Democratic Services) and Section 151 Officer (Divisional Director - Business Support) have had the opportunity to input to this report and have cleared it for publication.

Contact person	Martin Phillips Finance & Systems Manager (Pensions)) (<i>Budgets</i>) Tel: 01225 395259.
Background papers	Various Accounting and Statistical Records