

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	AGENDA ITEM NUMBER
MEETING DATE:	18 MARCH 2015	
TITLE: TREASURY MANAGEMENT POLICY		
WARD: 'ALL'		
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1	The proposed Treasury Management Policy	
Appendix 2	Counterparties currently acceptable under the policy and their Credit ratings	

THE ISSUE

- 1.1 The Fund's Treasury Management policy was approved in June 2015. 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 2016/17 is a continuation of the policy approved in June 2015. The policy restricts the use of counterparties to those meeting the necessary credit ratings that are based outside the Eurozone. The proposed policy is set out in Appendix 1. Counterparties currently acceptable under the policy and their Credit ratings are shown in Appendix 2.

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 makes extensive use of Call accounts at Handelsbanken, Golman Sachs and the Bank of Scotland. The rules of access to these accounts particularly suit the Fund's cash flow requirements.
- 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. In June 2015 the Committee approved the use of Counterparties outside the Eurozone in response to a shortage of counterparties within the UK with a sufficiently high credit rating. 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. All potential counterparties are continuously monitored using the advice of external consultants.
- 4.4 The Committee are asked to approve the Treasury Management Policy. The permitted counterparties shown in Appendix 2 are those that currently meet the criteria as a result of the policy.

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.

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Background papers	Various Accounting and Statistical Records

