

Bath & North East Somerset Council			
MEETING:	AVON PENSION FUND COMMITTEE	AGENDA ITEM NUMBER	
MEETING DATE:	22 MARCH 2019		
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 Counter parties acceptable under the policy and their Credit ratings			

THE ISSUE

- 1.1 The Fund's Treasury Management policy was approved in March 2018. 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 2019/20 is a continuation of the policy approved in March 2018. The proposed policy is set out in Appendix 1. Counterparties 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 £50m 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 and the Bank of Scotland. It also uses Money Market Funds at Goldman Sachs, Aberdeen Asset management, Federated Investors, Amundi and State Street. The rules of access to these accounts particularly suit the Fund's cash flow requirements.
- 4.3 The Treasury Management Policy is in line with the advice of the Council's Treasury management adviser Arlingclose. All potential counterparties are continuously monitored using the advice of the external consultant.
- 4.4 The Fund retains a minimum working balance of c£10m. However, the Fund has a negative cash flow from net benefits and contributions, so the estimated annual cash requirement is currently managed by the Treasury Management Team (to minimise movements between the bank account and custody bank account) and is drawn down as needed throughout the year.
- 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. There are no changes to the policy or counterparties.

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

- 9.1 The Council's Monitoring Officer and Section 151 Officer 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