

Bath & North East Somerset Council			
MEETING:	AVON PENSION FUND COMMITTEE	AGENDA ITEM NUMBER	14
MEETING DATE:	26 JUNE 2020		
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		

1. THE ISSUE

- 1.1 The Fund's Treasury Management policy was approved in March 2019. The policy closely mirrors the Council's policy set out in the Councils' Annual Treasury Management & Investment Strategy.
- 1.2 The Committee are asked to approve the Treasury Management policy each year.
- 1.3 The policy proposed for 2020/21 set out in Appendix 1 is the same as the policy approved in March 2019. 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' Treasury Management & 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 reflects the different cash flow requirements and the amounts of cash that need to be invested.

- 4.2 The Fund makes extensive use of the Handelsbanken call account. 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 advisers ArlingClose. All potential counterparties are continuously monitored using the advice of external consultants.
- 4.4 The Fund aims to retain a minimum working balance of £10m.
- 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 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. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

6. CLIMATE CHANGE

- 6.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

7. OTHER OPTIONS CONSIDERED

- 7.1 None.

8. CONSULTATION

- 8.1 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