

Bath & North East Somerset Council			
MEETING:	AVON PENSION FUND COMMITTEE	AGENDA ITEM NUMBER	10
MEETING DATE:	26 MARCH 2021		
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 June 2020. The policy closely mirrors the Council's policy set out in the Councils' Annual Treasury Management Strategy.
- 1.2. The Committee are asked to approve the Treasury Management policy each year.
- 1.3. The policy proposed for 2021/22 set out in Appendix 1 is the same as the policy approved in June 2020. 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 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 £42m 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 Strategy. The Fund's Treasury Management is delegated to 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 Money Market Funds (MMF) and its own call account with Nat West. The MMFs include Goldman Sachs, Aberdeen Asset management and Federated Investors. The rules of access to these accounts particularly suit the Fund's cash flow requirements. A new MMF deposit facility (CCLA Deposit Fund) has been set up for the Fund. The Council are advised to limit any investment in a MMF to 0.5% of the MMF's value which equates to a limit of £7.0m for the CCLA fund.

4.3. The Council's Treasury Management investment policy incorporates ESG criteria where it lends to banks via bank deposits on longer maturity terms. In contrast the Fund requires more liquid cash management which means it utilises money market funds rather than bank deposits meaning that the Council's use of ESG criteria is less applicable to the Fund.

4.4. 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.

4.5. The Fund aims to retain a minimum working balance of £20m. This ensures that we can pay all pensions and invoices without having to be forced to sell assets and, given the contributions received monthly, will cover approximately 3 months of net outgoings.

4.6. 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. 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 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. EQUALITIES

7.1. A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8. OTHER OPTIONS CONSIDERED

8.1. None.

9. CONSULTATION

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