

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	AGENDA ITEM NUMBER
MEETING DATE:	22 MARCH 2024	
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 Committee is asked to approve the Fund's Treasury Management policy each year. It was last approved in March 2023. The policy closely mirrors the Council's policy set out in the Councils' Annual Treasury Management Strategy.
- 1.2. The policy proposed for 2024/25 set out in Appendix 1 is the same as the policy approved in March 2023. 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 £84m 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), Handelsbanken Call Account and its own call account with Nat West. The MMFs include Goldman Sachs, Federated Investors, Aberdeen Asset management, State Street, Invesco, Morgan Stanley and CCLA Public Sector Deposit Fund. The rules of access to these accounts particularly suit the Fund's cash flow requirements.

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 2 to 3 months of net outgoings.

4.6. The level of cash that can be held on the Fund's behalf is currently £77m. The maximum investment for CCLA has been decreased to £5m following advice by the Council's Treasury Management Advisors.

4.7. Any changes to the Treasury Management Policy made in the last two years are noted within Appendix 1.

4.8. The Committee are asked to approve the Treasury Management Policy. The permitted counterparties shown in Appendix 2 are those that currently meet the criteria because 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. The Fund acknowledges the financial risk to its assets from climate change and addresses this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

7. EQUALITIES STATEMENT

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 Director of One West & APF 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