

<b>Bath &amp; North East Somerset Council</b>		
MEETING:	<b>AVON PENSION FUND COMMITTEE</b>	<b>AGENDA ITEM NUMBER</b>
MEETING DATE:	<b>27 MARCH 2026</b>	
TITLE: <b>TREASURY MANAGEMENT POLICY</b>		
WARD: <b>'ALL'</b>		
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
<b>Appendix 1</b>	The proposed Treasury Management Policy	
<b>Appendix 2</b>	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 2025. The policy closely mirrors the Council's policy set out in the Councils' Annual Treasury Management Strategy.
- 1.2. The policy proposed for 2026/27 set out in Appendix 1 has minor changes to the policy approved in March 2025. 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. THE REPORT**

- 3.1. 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.
- 3.2. 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.
- 3.3. 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. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.
- 3.4. 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.
- 3.5. To accommodate the rise in pension payments and expected reduction in contributions as more employers go into surplus, the minimum working balance has been raised from £25m to £30m. This provides sufficient liquidity to meet all pension payments and supplier invoices without needing to sell assets, and—based on monthly contribution receipts—covers approximately 2 to 3 months of net outgoings.
- 3.6. The level of cash that can be held on the Fund's behalf is currently £79m. The Council are in the process of setting up MMFs with Royal London Asset Management and Legal and General Investment Management Limited. This will increase the level of cash that can be held to £99m.
- 3.7. Any changes to the Treasury Management Policy are noted within Appendix 1.
- 3.8. 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.

### **4. STATUTORY CONSIDERATIONS**

- 4.1. Bath and North East Somerset Council, in its role as administering authority, has executive responsibility for the Avon Pension Fund. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee which is the formal decision-making body for the Fund.

## **5. RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

5.1. 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 £79m 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.

## **6. RISK MANAGEMENT**

6.1. An effective governance structure, defining clear responsibilities, and ensuring that the decision-making body has an adequate level of knowledge and access to expert advice, is a key aspect of the risk management process.

## **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. CLIMATE CHANGE**

8.1. 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 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.

## **9. OTHER OPTIONS CONSIDERED**

9.1. None.

## **10. CONSULTATION**

10.1. The Council's Director of Assurance, Risk & Pensions has had the opportunity to input to this report and has cleared it for publication.

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<b>Background papers</b>	Various Accounting and Statistical Records