

**Pension Fund Committee**

Meeting to be held on Friday, 16 June 2023

Electoral Division affected: N/A;
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**Treasury Management Policy**

Appendices A and B refer

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**Brief Summary**

The report sets out a Treasury Management policy for managing the cash allocation of the Pension Fund.

**Recommendation**

The committee is asked to approve the Treasury Management policy as set out in Appendix B.

**Detail**

Within the Strategic Asset Allocation of the Fund there is an allocation to cash to ensure there is sufficient liquidity within the Fund to enable it to pay its obligations, principally pensions. This allocation is managed by Lancashire County Council in accordance with the Treasury Management policy for the Pension Fund.

**Governance**

Under the Constitution of the County Council, the Head of Fund is required to submit an Investment Strategy Statement (to include policy on the management of cash balances) to the Pension Fund Committee for its approval. A separate report is presented elsewhere on the agenda for this meeting regarding the Investment Strategy Statement, whilst this report is intended to focus on cash management.

**Review**

An initial review of the existing Treasury Management Policy was undertaken at the Investment Panel in March 2023, with subsequent discussions with the Head of Fund and Investment Advisers to develop the policy.



A copy of the current policy and the revised policy are enclosed at appendices 'A' and 'B' respectively.

Some minor changes have been made to the policy to simplify and/or improve presentation. However, other changes to the new Treasury Management Policy are more substantive, including the following:

- Target level of cash - has been updated to align with the updated Risk Appetite Statement as referenced in content in 1.2 (Scope of Policy) and Tolerance on page 6 of the policy;
- Money Market Funds - have been included as a potential investment to be used by the LCC Treasury Management team as detailed in section 2.5 and Appendix B;
- The inclusion of Appendix 'A' in the policy to clarify roles and responsibilities in this area; and
- The introduction of Appendix 'B' in the new policy to ensure clear definition of risk for each investment option, as well as controls in place to mitigate the risks and investment thresholds/levels within each option.
- Bank call accounts and secured deposits - additional content has been added in respect of bank call accounts and secured deposits in sections 2.1 and 2.2 respectively (Appendix C of the new Treasury Management Policy also refers);

The allocation is for cash and therefore the use of bank call accounts with instant access form a significant part of the treasury management activity. However, to spread risk the policy does cover other investments which are highly liquid and are effectively cash equivalents.

The policy set out at Appendix 'B' is largely consistent with the current treasury management activities of LCC. The major change is that the policy allows for the Pension Fund to invest in money market funds. These are pooled funds run by a professional fund manager that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks.

### **Next steps**

Quarterly reporting on treasury management will be provided to the Investment Panel covering cash levels, terms, and liquidity, returns on cash, and cashflow forecasting over the next 3-month period (which is dependent on Local Pensions Partnership Investments Ltd information on investment calls and income).

### **Appendices**

Two Appendices are attached to this report. For clarification they are summarised below and referenced at relevant points within this report.



<b>Appendix</b>	<b>Title</b>
Appendix A	Treasury Management Policy (current)
Appendix B	Treasury Management Policy (revised)

## **Consultations**

Independent Investment Advisers to the Fund  
Local Pensions Partnership Investment Limited

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

Cash flow is important as there is a risk that there could be insufficient funds to meet payments from the Pension Fund and benefits may not be paid on time. The policy outlines the risk management with respect to cash allocation.

## **Local Government (Access to Information) Act 1985**

### **List of Background Papers**

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

