



Report to Pension Fund Committee

Date: 25th February 2021

Reference number: N/A

Title: Treasury Management Service Level Agreement

Relevant councillor(s): N/A

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Ward(s) affected: N/A

Recommendations: The Committee is asked to review and approve the Pensions Fund treasury management service level agreement.

Executive summary – At its meeting on the 28th February 2020, the Pension Fund Committee agreed the arrangements for investing the Fund’s surplus cash. This report updates the Committee on the provision of treasury management services by Buckinghamshire Council to the Pension Fund in 2020/21 and asks the Committee to discuss and approve the arrangements for investing the Pension Fund’s surplus cash balances in 2021/22.

Content of report

- 1 The Pension Fund maintains relatively small balances of cash arising from the receipt of employer and employee contributions exceeding payments made on behalf of the Fund. Most of the Fund’s cash is managed externally, either by the investment managers or State Street, the Fund’s custodian bank. The cash held by the administering authority is usually less than 1.0%, or £30m, of the Fund’s assets providing a working balance for the Fund to meet its short-term commitments. From time to time, if surplus cash balances held approach £30m and are greater than the amounts required to meet the Fund’s commitments, then they are invested in accordance with the Investment Strategy.

- 2 At its meeting on the 28th February 2020, the Pension Fund Committee approved the SLA for 2020/21 setting out the arrangements in place for investing the daily cash balances.
- 3 During 2020 (2019) the Pension Fund earned £10.8k (£25k) interest on its working cash balances, representing 0.10% (0.65%) on an average balance of £3.1m (£3.9m). The cash balances ranged from £0.1m to £20.4m during 2020 (£0.1m to £9.8m during 2019). A separate bank account operates for the Pension Fund and the interest is paid into the Pension Fund bank account. The Council's treasury team invested all the Pension Fund's working cash in the Pension Fund bank account or money market funds.
- 4 The Pension Fund bank account receives interest on daily balances. The 2020/21 SLA reflects the current practice of investing the Fund's cash balances in the interest-bearing Pension Fund current account. Members are asked to review and approve the SLA for 2021/22 attached as Appendix 1.
- 5 Local Government Pension Regulations (Management & Investment) 2009 gave the Pension Fund the power to arrange a temporary loan from a bank for up to 90 days in order to pay benefits due under the Pension Fund Scheme or to meet investment commitments. However, there are no counterparties in the market that will temporarily lend cash to the Pension Fund. In previous years members of the Pension Fund Committee had indicated that they would prefer to borrow from the market rather than the Council. However, with no external market willing to temporarily lend to the Fund, the Pension Fund Committee members agreed that they would prefer the Fund to borrow temporarily from the Council rather than maintain a higher cash buffer to meet any unexpected cash requirements. There were no instances during 2020 where the Fund temporarily borrowed cash from the Council.

Other options considered - N/A

Legal and financial implications – There are none arising directly from this report

Corporate implications – There are none arising directly from this report

Consultation and communication - N/A

Background papers - N/A

Your questions and views (for key decisions)

If you have any questions about the matters contained in this report, please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider please inform the democratic services team. This can be done by telephone 01296 382343 or email democracy@buckinghamshire.gov.uk.