Report to Pension Fund Committee

Date:	21st March 2022
Title:	**Treasury Management Service Level Agreement**
Contact officer:	Julie Edwards, Head of Pensions
Recommendations:	**The Committee is asked to review and note the Pension Fund treasury management service level agreement.**

1. Executive summary

1.1 This report updates the Committee on the provision of treasury management services by Buckinghamshire Council to the Pension Fund in 2021/22 and asks the Committee to discuss and note the arrangements for investing the Pension Fund's surplus cash balances in 2022/23.

2. Content of report

2.1 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 £40m, 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 £40m and are greater than the amounts required to meet the Fund's commitments, then they are invested in accordance with the Investment Strategy.

2.2 During 2021 (2020) the Pension Fund earned £0.5k (£10.8k) interest on its working cash balances, the average balance of £8.3m (£3.1m). With bank rate at the historic low of 0.1% interest rates available for instant access cash were 0%. The cash balances ranged from £6.8k to £45.9m during 2021 (£0.1m to £20.4m during 2020). A separate bank account operates for the Pension Fund. The Council's treasury team invested all the Pension Fund's working cash in the Pension Fund bank account or money market funds. Members are asked to review and note the SLA for 2022/23 attached as Appendix 1.

2.3 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 was one instance during 2021 where the Fund temporarily borrowed cash from the Council. The amount borrowed was £42m for 8 days at 0.25% interest rate to fund an investment commitment, the borrowing was required due to a delay in receiving cash from a redeemed investment.

3. Other options considered

3.1 Not applicable.

4. Legal and financial implications

4.1 There are none arising directly from this report.

5. Corporate implications

5.1 There are none arising directly from this report.

6. Communication, engagement & further consultation

6.1 Not applicable.

7. Background papers

7.1 None.