

ITEM No ...5.....

**REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE
& PENSION BOARD – 16 MARCH 2020**

REPORT ON: TREASURY POLICY STATEMENT

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 121-2020

1 PURPOSE OF REPORT

This report revises the Council's Treasury Policy Statement which is intended to govern all treasury activities carried out by Tayside Pension Fund.

2 RECOMMENDATION

The Sub-Committee is asked to approve the policies and procedures laid out in the attached "Treasury Policy Statement 2020/21". The Treasury Policy Statement must be reviewed annually.

3 FINANCIAL IMPLICATIONS

None.

4 INTRODUCTION

The Pension Sub-committee of the Policy and Resources Committee and Pension Board approved the current Treasury Policy Statement on 25 March 2019 (Report No 126-2019) which incorporated activities of Tayside Pension Fund. The statement is subject to review annually or earlier in the event of a major policy change.

5 TREASURY POLICY STATEMENT

This document sets out the policies and objectives of Tayside Pension Fund's Treasury Management activities and the practices which will be used to achieve these. It contains:-

- Treasury Management Policy Statement
- Delegations of Authority and Governance
- Creditworthiness & Permitted Counterparties
- Cash & Liquidity Management Policies
- Treasury Management Practices (Main Principles in 12 key areas)

6 POLICY IMPLICATIONS

This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

The major issues identified relate to Risk Management and these are addressed in Treasury Management Practices.

7 CONSULTATION

The Chief Executive and the Head of Democratic and Legal Services have been consulted in the preparation of this report.

8 BACKGROUND PAPERS

None

**GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

11 SEPTEMBER 2020



**TREASURY POLICY
2020-2021**

Executive Director of Corporate Services
Dundee City Council, Administering Authority
March 2020

INDEX

1. Treasury Management Policy Statement
2. Delegations of Authority and Governance
3. Creditworthiness & Permitted Counterparties
4. Cash & Liquidity Management Policies
5. Treasury Management Practices

1. TREASURY MANAGEMENT POLICY STATEMENT

Tayside Pension Fund is administered by Dundee City Council in accordance with Section 13 of its Financial Regulations. Investment policy and decisions (including those relating to Treasury Management) are delegated to the Pension Sub-Committee of the Policy and Resources Committee. The Pension Board assist the Sub-Committee with securing compliance to the regulations.

The primary objective of the Tayside Pension Fund is to provide for scheme members' pension and lump sum benefits on their retirement or for their dependants on death before or after retirement, on a defined benefits basis. There is limited discretion to vary these benefits.

Dundee City Council in its administering role, defines its treasury management activities as:

"The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

It regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage these risks.

It acknowledges that effective treasury management will provide support towards the achievement of its business and services objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable performance measurement techniques, within the context of effective risk management.

All treasury management activities must comply with the appropriate regulations, codes and guidance as stated in the Treasury Management Policy Statement of Dundee City Council.

2. DELEGATIONS OF AUTHORITY & GOVERNANCE

The scheme of delegation for treasury management of Tayside Pension Fund are in accordance with that for Dundee City Council and referred to in their Treasury Management Policy Statement

3. CREDIT WORTHINESS & PERMITTED COUNTERPARTIES

In undertaking treasury management for the Fund, the Council's investment priorities (as stated in their policy) will be security first, liquidity second and then return. The Council manage Credit Worthiness of counterparties in line with their own policy and the following are permitted Counterparties for investment transactions:

The Council will only use UK regulated institutions, with the maximum deposit will be in line with counterparty credit rating as follows:

Short Term Credit Rating**

- F1+ £8m
- F1 £5m
- AAAmf - Money Market Funds £7m
- Part-Nationalised UK Banks £5m
(with a minimum holding of 20% as per LAS approach)

Any institution whose credit rating falls below the limits F2 will no longer be a permitted counterparty for further transactions (subject to advice from Treasury Advisor).

** Fitch Ratings Definition - Short-Term Ratings Assigned to Issuers or Obligations in Corporate, Public and Structured Finance

A short-term issuer or obligation rating is based in all cases on the short-term vulnerability to default of the rated entity or security stream and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. Short-Term Ratings are assigned to obligations whose initial maturity is viewed as "short term" based on market convention.

Typically, this means up to 13 months for corporate, sovereign, and structured obligations, and up to 36 months for obligations in U.S. public finance markets.

F1: Highest short-term credit quality - Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

F2: Good short-term credit quality. Good intrinsic

4. CASH & LIQUIDITY POLICY

The Fund's policy is to ensure the efficient and effective management of cash resources to maximise investment income while ensuring sufficient cash on hand to meet obligations and avoid funding shortfalls.

This policy also contributes towards meeting the Fund's obligations to all relevant parties by ensuring the existence of an effective cash management system to provide for the payment and investment of cash, transmitting timely and reliable cash flow forecasts and ensuring compliance with relevant statutory and regulatory requirements.

Monies managed for Treasury purpose will be low value and short-term in nature, used to provide payment of pension benefits. Any higher balances are transferred to external pension investment managers, who invest per their individual investment mandates.

In addition to the above, as part of their remit, the Pension Fund's custodian undertakes short term cash management investment activities on behalf of the fund and operate to pre-agreed criteria within their mandate.

5. TREASURY MANAGEMENT PRACTICES

Dundee City Council in its administering role will follow the main principles as detailed in their separate policy, listed as:

- TMP 1 Risk Management
- TMP 2 Performance Measurement
- TMP 3 Decision-making and analysis
- TMP 4 Approved Instruments, Methods and Techniques
- TMP 5 Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements
- TMP 6 Reporting Requirements and Management Information Arrangements
- TMP 7 Budgeting, Accounting and Audit Arrangements
- TMP 8 Cash and Cash Flow Management
- TMP 9 Money Laundering
- TMP 10 Training and Qualifications
- TMP 11 Use of External Service Providers
- TMP 12 Corporate Governance