



**FOR PUBLICATION**

**DERBYSHIRE COUNTY COUNCIL**

**PENSIONS AND INVESTMENTS COMMITTEE**

**WEDNESDAY, 8 MARCH 2023**

**Report of the Interim Director - Finance and ICT**

**Treasury Management Strategy 2023-24**

**1. Purpose**

- 1.1 To seek approval for Derbyshire Pension Fund's draft Treasury Management Strategy for Derbyshire Pension Fund for 2023-24, attached as Appendix 2.

**2. Information and Analysis**

- 2.1 The Fund has prepared a standalone Treasury Management Strategy since 2021-22. Prior to 2021-22, the Fund's Treasury Management Strategy formed part of Derbyshire County Council's Treasury Management Strategy. In line with the County Council's Treasury Management Strategy, the Fund places security of capital and liquidity ahead of investment return.
- 2.2 The Fund's current benchmark allocation to cash is 2% (about £120m at current asset values). However, it is often the Fund's strategy to hold a higher defensive cash allocation because market valuations have become stretched, or cash is held in order to meet future commitment drawdowns. Furthermore, the Fund also occasionally receives employers' contributions in advance, which has the potential to substantially increase the Fund's cash balances, pending the identification, and drawdown, of suitable investment opportunities.

- 2.3 The Fund generally needs to retain a higher level of instant access funds than the County Council. A major buying opportunity in the market could require immediate access to significant sums of cash for investment. The Fund's actual cash allocation on 31 January 2023 was 3.5%, equating to £197m. Future commitments, on 31 January 2023 totalled around £270m, and a significant proportion of these are likely to be drawn-down over the next 12 to 18 months.
- 2.4 The proposed Treasury Management Strategy for 2023-24 includes the following requirements and comments:
- The Fund's objective when investing money is to strike a balance between risk and return, minimizing the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
  - The Fund prioritises liquidity for cash investments over investment return.
  - The maximum amount and duration of cash investments by counterparty should be according to the limits set out in Table 1 on page 4 of the Treasury Management Strategy.
  - A counterparty limit for Local Authorities & Other Government Bodies, Banks (unsecured) and Building Societies (unsecured) reduced from £30m to £15m to reduce concentration risk.
- 2.5 Borrowings are permitted only in exceptional circumstances and in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. Borrowings are limited to the maximum amount required to meet the Fund's obligations and should not exceed 90 days in duration.

### **3 Implications**

- 3.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

### **4 Background Papers**

- 4.1 Working papers held by the Pension Fund Team.

### **5 Appendices**

- 5.1 Appendix 1 – Implications

5.2 Appendix 2 – Draft Treasury Management Strategy for Derbyshire Pension Fund for 2023-24.

## **6 Recommendation(s)**

That Committee:

- a) Committee approves the Treasury Management Strategy for Derbyshire Pension Fund for 2023-24 attached as Appendix 2.

## **7 Reasons for Recommendation(s)**

7.1 As set out in the Council's Financial Regulations, Treasury Management at the Council is conducted within the framework of the CIPFA Code of Practice on Treasury Management. A standalone Treasury Management Strategy for the Pension Fund is prepared to better reflect the characteristics and requirements of the Fund.

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**Implications**

**Financial**

1.1 None

**Legal**

2.1 None

**Human Resources**

3.1 None

**Information Technology**

4.1 None

**Equalities Impact**

5.1 None

**Corporate objectives and priorities for change**

6.1 None

**Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)**

7.1 None