



**Subject Heading:**

**CASH MANAGEMENT POLICY REVIEW**

**SLT Lead:**

JANE WEST

**Report Author and contact details:**

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**Policy context:**

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To maintain a cash flow policy for internally managed pension fund cash so the Fund can meet its ongoing benefit payments

**Financial summary:**

To establish and manage minimum and maximum working cash balances

**Exempt Information - In accordance with Schedule 12A of the Local Government Act 1972 paragraph 3, information contained within Appendix A of this report is exempt on the grounds of commercial confidentiality as they contain information relating to the financial or business affairs of any particular person (including the authority holding that information).**

**The subject matter of this report deals with the following Council Objectives**

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

**SUMMARY**

The attached report, Appendix A presents a proposed Cash Management Policy, setting out the rules relating to the balance of cash held by the Fund based on short-term cash flow forecasts.

**RECOMMENDATIONS**

The Committee consider and agree the updated Cash Management Policy.  
**(Appendix A - EXEMPT)**

**REPORT DETAIL**

1. **Background**

1. The internal Cash Management Policy was last reviewed and agreed by the Pensions Committee on the 15 December 2015.
2. As reported at the last Pensions Committee meeting on the 24 July 2019, the Cash Management Policy was to be reviewed in light of the committee agreeing to adopt a currency hedge for the Fund. The Fund will need access to cash to settle any currency contracts.
3. This policy has now been reviewed by the Fund's Investment Advisor (Hymans) using cash flow data provided by the Fund for the period 1 April 2016 to 31 March 2019.
4. Cash flow management is an essential part of the administration of the pension scheme as the Fund has to meet its ongoing benefit payments. The Fund provides benefits for employees, which include retirement pensions, death grants and other lump sum payments.
5. These benefit payments can be split between predictable payments, such as monthly pension payroll or unpredictable payments such as transfer value payments, retirement lump sums or death benefits.
6. The Fund is financed by contributions from employees, employers and from profits, interest and dividends on its investments.
7. The rationale for the proposed policy is as set out in the attached **Appendix A** and a summary of the proposals are set out below:
  - A target working cash balance of £6 million to be set, permitted to vary between £3 million and £8 million.
  - This cash balance is sufficient to cover one month of predictable benefit outgo plus two months of unpredictable outgo.

- The cash balance will be replenished by monthly contributions (which slightly exceed predictable monthly outgo) and by income received from the UK property and private market investment arrangements.
- The working cash balance should be reviewed on a monthly basis immediately following receipt of contributions, and: - In the event that cash levels fall below the lower limit, assets will be disinvested from the most overweight allocation within the investment strategy so as to increase the working cash balance to £6 million.
- In the event that cash levels rise above the upper limit, cash will be invested in the most underweight allocation within the investment strategy so as to reduce the working cash balance to £6 million

## IMPLICATIONS AND RISKS

### **Financial implications and risks:**

Developing and maintaining a cash flow management policy will offer some degree of certainty that the Fund can meet its ongoing payments.

It is therefore desirable that;

- The cash balance maintained is not so large as to reduce the potential for future investment returns
- The cash balance maintained is not so small so as to create the risk that the balance will be easily exhausted, and thus disinvestments will be required either frequently or at short notice.
- Assets are realised in the most efficient manner possible.

The responsibility for rebalancing actions is to be officers – this should be in line with the delegation duties as set out in the Councils constitution and the oneSource Scheme of Delegation.

### **Legal implications and risks:**

None arise from this report.

### **Human Resources implications and risks:**

None arise from this report.

**Equalities implications and risks:**

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- i. the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- ii. the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- iii. foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment/identity.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants

An EIA is not considered necessary regarding this matter as the protected groups are not directly or indirectly affected.

**BACKGROUND PAPERS**

None