

ITEM No ...11.....

REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD - 5 JUNE 2017

REPORT ON: ANNUAL TREASURY MANAGEMENT ACTIVITY 2016/2017

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 201-2017

1 PURPOSE OF REPORT

To review the Treasury Management activities for the period 1 April 2016 to 31 March 2017.

2 RECOMMENDATION

The Committee is asked to note the information contained within this report.

3 FINANCIAL IMPLICATIONS

The Fund's internal Treasury Management activities in 2016/2017 achieved income of £13,004.

4 BACKGROUND

At its meeting on 7 March 2017 the Pension Sub-committee of the Policy and Resources Committee approved the Fund's Treasury Policy Statement setting out the policies which govern all treasury transactions carried out by the Fund.

The Treasury Policy Statement requires that the Pension Sub-committee of the Policy and Resources Committee will receive and consider the Treasury Management strategy in advance of each new financial year and subsequently an annual monitoring report on the activities in that year.

This monitoring report covers the Treasury Management activity over the financial year 2016/2017.

5 THE TREASURY MANAGEMENT STRATEGY FOR 2016/2017

The Expectation for Interest Rates - The interest rate views incorporated within the Fund's treasury strategy statement were based upon officers' views along with advice from our treasury advisers supported by a selection of City forecasts. The view on base rates was that they would increase from 0.50% to 0.75% by March 2017, this predicted increase did not materialise.

6 LENDING FOR 2016/2017

6.1 Interest Rates

Bank of England base rate started the financial year at 0.50% and reduced to 0.25% on 4 August 2016 and remained unchanged for the remainder of the financial year.

6.2 Actual Lending

Variations in cash flow requirements mean that there will be surplus funds which will be invested for short periods (maximum of 364 days).

Short term investments will be restricted to only those institutions identified in the Fund's approved counterparty list provided they have maintained their credit rating.

An analysis of the lending position to 31 March 2017 shows:

Month	Lowest Amount Lent £m	Highest Amount Lent £m	End of month Amount Lent £m	Interest Rate Range %	
				Min	Max
April 2016	4.585	10.940	4.585	0.25	0.40
May	2.100	9.615	2.100	0.25	0.40
June	1.175	9.025	4.000	0.25	0.40
July	3.945	10.260	3.945	0.25	0.40
August	1.905	8.130	1.905	0.15	0.40
September	1.585	9.080	1.585	0.15	0.15
October	1.120	8.630	5.620	0.15	0.15
November	5.180	8.780	5.180	0.15	0.15
December	4.450	11.030	4.450	0.01	0.15
January 2017	4.000	9.725	5.275	0.15	0.15
February	3.265	7.610	3.265	0.15	0.15
March	2.890	8.060	5.250	0.15	0.15

The lending activity shown above related solely to short-term positions. All of these loans were in compliance with the Treasury Strategy Statement provisions on such lending with regards to amounts and institutions involved.

7 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. There are no major issues.

8 CONSULTATION

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

9 BACKGROUND PAPERS

None

MARJORY STEWART
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

26 MAY 2017