REPORT TO: **SUPERANNUATION INVESTMENT SUB-COMMITTEE OF THE POLICY AND RESOURCES COMMITTEE - 21 FEBRUARY 2011**

REPORT ON: **TREASURY MANAGEMENT STRATEGY**

REPORT BY: **DIRECTOR OF FINANCE**

REPORT NO: **117-2011**

1 PURPOSE OF REPORT

1.1 This report reviews the Treasury Management Strategy for Tayside Superannuation Fund.

2 RECOMMENDATIONS

2.1 The Committee are asked to approve the Treasury Management Strategy including list of permitted counterparties.

3 FINANCIAL IMPLICATIONS

3.1 The Superannuation Fund will pay a fee of £6,000 per annum to Dundee City Council to provide its treasury management service.

4 BACKGROUND

4.1 From 1 December 2009, the Tayside Superannuation Fund has operated a separate bank account from that of Dundee City Council. This is considered best practice and ensures greater transparency of Superannuation Fund money.

4.2 Although the Superannuation Fund's investments are all managed externally there are frictional cash balances which are held prior to submission to the managers. These arise from the fact that pension contributions outweigh pension payments in any one month. In general this money is accumulated to around £5m over a 2-3 month period before being remitted to the managers.

4.3 The first Treasury Managment Strategy for the Superannuation Fund was agreed on 22 February 2010 (Report No 106-2010). This report reviews this strategy.

5 TREASURY MANAGEMENT STRATEGY

5.1 The Superannuation Fund's Treasury Management Strategy will be based on the fact that balances may accumulate over a 2-3 month period before being remitted to managers. There will be no intention to hold cash for longer than this as it should be expected that the managers will be able to achieve a better return than that on cash.

5.2 The primary concern will be to ensure the security of cash to allow the capital to be preserved. Secondly the cash must be easily accessible to ensure it can be remitted to the manager quickly. The return earned will only be considered once the first two conditions are satisfied.

5.3 The most suitable vehicles will either be call accounts with the major clearing banks or money market funds. Over the next year it is expected that call accounts will continue to be more secure because of the government guarantee and also that they will offer a better return.

5.4 A suggested list of permitted counterparties with limits is shown at Appendix 1. These limits have increased from the previous £5m for each to allow increased flexibility for cash management.

6 POLICY IMPLICATIONS

6.1 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.

7 CONSULTATION

7.1 The Chief Executive and the Depute Chief Executive (Support Services) have been consulted.

8 BACKGROUND PAPERS

None

MARJORY STEWART
DIRECTOR OF FINANCE **10 FEBRUARY 2011**

APPENDIX 1

PERMITTED COUNTERPARTIES FOR INVESTMENT TRANSACTIONS

Approved Lending Bodies	Short Term Credit Rating	Maximum Deposits £m
Banks		
Royal Bank Of Scotland Plc	F1+	7*
Lloyds Banking Group (Inc HBOS)	F1+	7
Santander Corporate Banking	F1+	6
Money Market Funds	AAA	5

* This £7m limit applies to the call account. Additional smaller balances (less than £1m) may also be held in the current account.

Any institution whose credit rating falls below the limits set above will no longer be a permitted counterparty for further transactions.