

**ITEM No ...8.....**

**REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD – 20 SEPTEMBER 2021**

**REPORT ON: ANNUAL TREASURY MANAGEMENT ACTIVITY 2020/2021**

**REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**REPORT NO: 245-2021**

**1 PURPOSE OF REPORT**

To review the Treasury Management activities for the period 1 April 2020 to 31 March 2021.

**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 2020/2021 achieved income of £9,113.

**4 BACKGROUND**

At its meeting on 21 September 2020 the Pension Sub-committee of the Policy and Resources Committee approved the Fund's Treasury Policy Statement which set out the policies which governed all treasury transactions carried out by the Fund during the financial year 2020/21 (Article XIV of the Minute of Meeting of the Pension Sub-Committee of the Policy and Resources Committee of 21 September 2020, Report No 115-2020 refers).

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 2020/2021.

**5 THE TREASURY MANAGEMENT STRATEGY FOR 2020/2021**

The Treasury Management Strategy for 2020/21 was approved at the meeting on 21 September 2020 of the Pension Sub-committee of the Policy and Resources Committee (Article XIV of the Minute of Meeting of the Pension Sub-Committee of the Policy and Resources Committee of 21 September 2020, Report No 115-2020 refers).

As a requirement of legislation, in order to ensure greater transparency of Pension Fund monies, Tayside Pension Fund has operated a separate bank account from that of Dundee City Council. Although the Pension Fund's investments are all managed externally, there are frictional cash balances which are held internally. These arise from timing differences between receipt of pension contributions and payment of pensions within the month.

The Pension Fund's Treasury Management Strategy is therefore based on cash flow management to ensure that sufficient funds are held to make all necessary payments with the primary concern of ensuring security and accessibility of cash to allow the capital to be preserved.

The expectation for interest rates are incorporated within the Fund's Treasury Strategy and are based upon officers' views along with advice from independent treasury advisers, which are supported by a selection of city forecasts. The view on base rates at time of strategy publication (in March 2020) was that rates were forecast to slowly increase over the next few years to reach 1.25% by quarter 1 of 2023. It is important to note that due to the onset of the global coronavirus pandemic, the Bank of England base rate decreased to 0.10% in March 2020.

## 6 LENDING FOR 2020/2021

### Interest Rates

Bank of England base rate started the financial year at 0.10% and remained unchanged for the remainder of the financial year.

### 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 2021 shows:

Month	Lowest Amount Lent £m	Highest Amount Lent £m	End of month Amount Lent £m	Interest Rate Range %	
				Min	Max
April 2020	1.260	21.000	7.000	0.32	0.45
May	2.500	7.000	2.500	0.31	0.41
June	2.500	2.500	2.500	0.24	0.32
July	2.500	10.000	10.000	0.13	0.23
August	5.000	7.000	5.000	0.05	0.18
September	3.000	5.000	3.000	0.08	0.10
October	3.000	6.000	3.500	0.06	0.08
November	3.000	7.000	7.000	0.01	0.06
December	3.000	7.000	3.000	0.01	0.03
January 2021	3.000	9.000	8.000	0.01	0.01
February	3.600	8.000	3.600	0.01	0.01
March	2.100	8.300	2.900	0.01	0.01

The lending activity shown above related solely to short-term positions. All of these loans complied 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

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EXECUTIVE DIRECTOR OF CORPORATE SERVICES

**10 SEPTEMBER 2021**