

ITEM No ...22....

REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD – 21 SEPTEMBER 2020

REPORT ON: ANNUAL TREASURY MANAGEMENT ACTIVITY 2019/2020

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 249-2020

1 PURPOSE OF REPORT

To review the Treasury Management activities for the period 1 April 2019 to 31 March 2020.

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 2019/2020 achieved income of £37,866.

4 BACKGROUND

At its meeting on 25th March 2019 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 2019/20 (Article X of the Minute of Meeting of the Pension Sub-Committee of the Policy and Resources Committee of 25th March 2019, Report No 126-2019 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 2019/2020.

5 THE TREASURY MANAGEMENT STRATEGY FOR 2019/2020

The Treasury Management Strategy for 2019/20 was approved at the meeting on 25th March 2019 of the Pension Sub-committee of the Policy and Resources Committee (Article XI of the Minute of Meeting of the Pension Sub-Committee of the Policy and Resources Committee of 25th March 2019, Report No 127-2019 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, and 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 - 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 at time of strategy publication (in March 2019) was that rates were forecast to increase from 0.75% to 1.00% in quarter 3 2019. 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 2019/2020

6.1 Interest Rates

Bank of England base rate started the financial year at 0.75% and decreased to 0.25% on 11 March 2020. This was quickly followed by another decrease to 0.10% on 19 March 2020 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 2020 shows:

Month	Lowest Amount Lent £m	Highest Amount Lent £m	End of month Amount Lent £m	Interest Rate Range %	
				Min	Max
April 2019	5.815	10.000	8.855	0.76	0.78
May	3.670	9.100	3.670	0.74	0.77
June	1.815	9.705	1.815	0.74	0.77
July	1.395	8.350	5.030	0.73	0.75
August	3.670	12.280	3.670	0.40	0.75
September	0.845	9.685	0.845	0.71	0.74
October	0.740	7.625	3.740	0.70	0.73
November	3.055	8.745	5.120	0.71	0.74
December	2.495	10.000	2.495	0.71	0.74
January 2020	2.475	8.805	5.025	0.71	0.73
February	3.425	11.220	3.425	0.70	0.73
March	1.260	8.850	1.260	0.47	0.73

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

GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

11 SEPTEMBER 2020