

ITEM No ...6.....

REPORT TO: PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 8 DECEMBER 2025

REPORT ON: TREASURY MANAGEMENT ACTIVITY 2025/2026 (MID-YEAR REVIEW)

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 364-2025

1 PURPOSE OF REPORT

To review Tayside Pension Fund's Treasury Management activities for the period 1 April 2025 to 30 September 2025.

2 RECOMMENDATION

The Sub-Committee is asked to note the contents of the report.

3 FINANCIAL IMPLICATIONS

The Treasury Management activity during the first half of the current financial year indicates that investment income from cash balances held to pay pension benefits will be approximately £1,100,000 for 2025/2026.

4 BACKGROUND

Tayside Pension Fund is administered by Dundee City Council in accordance with Section 24 of its Financial Regulations. Investment policy and decisions (including those relating to Treasury Management) are delegated to the Pension Sub-Committee of the City Governance Committee. The Pension Board assist the Sub-Committee with securing compliance to the regulations.

The primary objective of the Tayside Pension Fund is to provide for scheme members' pension and lump sum benefits on their retirement or for their dependants on death before or after retirement, on a defined benefits basis. There is limited discretion to vary these benefits.

Dundee City Council in its administering role, defines its treasury management activities as:

"The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

It regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage these risks.

It acknowledges that effective treasury management will provide support towards the achievement of its business and services objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable performance measurement techniques, within the context of effective risk management.

All treasury management activities must comply with the appropriate regulations, codes and guidance as stated in the Treasury Management Policy Statement of Dundee City Council.

At its meeting on 22 September 2025, the Pension sub-committee of the City Governance Committee and Pension Board approved the Fund's Treasury Policy Statement (Report no.

260-2025, article IX of minute refers) setting out the policies which would govern all lending transactions carried out by the Fund.

The Treasury Policy Statement requires that the Pension sub-committee of the City Governance Committee and Pension Board receive and consider the Treasury Management Strategy at the beginning of each new financial year.

On 17 March 2025, the Pension sub-committee of the City Governance Committee and Pension Board approved the Fund's Treasury Management Strategy for 2025/2026 (Report no. 99-2025, article X of minute refers).

This monitoring report covers the Treasury Management activity over the first six months of 2025/2026 financial year for cash held to pay pension benefits. Fund managers will also hold cash within custodian bank accounts, these amounts are excluded from this report.

5 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 only to those institutions identified in the Fund's Approved Counterparties list provided they have maintained a suitable credit rating.

An analysis of the lending position to 30 September 2025 shows:

Month	Lowest Amount Lent £m	Highest Amount Lent £m	End of month Amount Lent £m	Interest Rate Range %	
				Min	Max
April 2025	5.700	30.830	27.780	4.47	4.54
May 2025	16.530	28.555	16.530	4.31	4.49
June 2025	9.880	21.175	9.880	4.29	4.36
July 2025	4.300	50.000	50.000	4.23	4.32
August 2025	48.300	50.000	48.300	4.07	4.24
September 2025	41.325	49.800	41.325	4.02	4.11

All cash investments were compliant with Treasury Policy Statement as approved by sub-committee on 17 March 2025.

6 INTEREST RATE OUTLOOK 2025/2026

The Council's appointed treasury advisors (MUFG) assist the Council in formulating a view on interest rates. MUFG provided the following forecasts on 11 August 2025 -

	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
Base Rate View	4.00%	3.75%	3.75%	3.50%	3.50%	3.50%
3m average earnings	4.00%	3.80%	3.80%	3.50%	3.50%	3.50%
6m average earnings	3.90%	3.70%	3.70%	3.50%	3.50%	3.50%
12m average earnings	3.90%	3.70%	3.70%	3.50%	3.50%	3.50%

	Jun-27	Sep-27	Dec-27	Mar-28
Base Rate View	3.50%	3.25%	3.25%	3.25%
3m average earnings	3.50%	3.30%	3.30%	3.30%
6m average earnings	3.50%	3.30%	3.30%	3.40%
12m average earnings	3.50%	3.30%	3.40%	3.50%

Bank of England Monetary Policy Committee has reduced interest rates on two occasions this financial year from 4.50% to 4.00% on 7 August 2025. The interest rate forecast table above shows base rate is expected to continue reducing to 3.50% during 2026 with a further reduction in 2027.

7 POLICY IMPLICATIONS

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

8 CONSULTATIONS

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

9 BACKGROUND PAPERS

None.

PAUL THOMSON
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

28 NOVEMBER 2025

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