ITEM No …10………..

REPORT TO: **PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 23 MARCH 2026**

REPORT ON: **TREASURY MANAGEMENT STRATEGY 2026/2027**

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

REPORT NO: **81-2026**

1 PURPOSE OF REPORT

This report reviews the Treasury Management Strategy for Tayside Pension Fund.

2 RECOMMENDATIONS

The Sub-Committee is asked to approve the Treasury Management Strategy 2026/2027, noting that the strategy must be reviewed annually, and that there are no changes.

3 FINANCIAL IMPLICATIONS

None

4 BACKGROUND

From 1 December 2009, 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 previous Treasury Management Strategy for the Pension Fund (Article X of the Minute of Meeting of the Pension Sub-Committee of Policy and Resources Committee & Pension Board of 17 March 2025, report no. 99- 2025 refers) reviews this strategy.

5 TREASURY MANAGEMENT STRATEGY 2026/2027

The Fund's Treasury Management Strategy is 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.

6 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.

7 CONSULTATION

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

8 BACKGROUND PAPERS

None

PAUL THOMSON
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **13 MARCH 2026**

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TREASURY MANAGEMENT STRATEGY 2026-2027

Executive Director of Corporate Services
Dundee City Council, Administering Authority
March 2026

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1. INTRODUCTION

1.1 Background

From 1 December 2009, Tayside Pension Fund has operated a separate bank account from that of Dundee City Council. This is a requirement of legislation and ensures greater transparency of Pension Fund money.

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.

Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

1.2 Treasury Management Strategy for 2026/27

The strategy for 2026/27 covers the following Treasury Management areas:

- investment strategy;
- investment interest risk

These elements cover requirements of the Local Government in Scotland Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and Scottish Government Investment Regulations not included in the Treasury Policy.

2. ANNUAL INVESTMENT STRATEGY

2.1 Investment strategy

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

The current forecast is for Bank of England base rate to continue to decrease since a peak of 5.25% in Q4 2023. Base rate forecasts for financial year ends (March) are:

2025/26	3.75%
2026/27	3.25%
2027/28	3.25%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 3 months during each financial year are as follows:

2025/26 (residual)	3.80%
2026/27	3.40%
2027/28	3.30%
2028/29	3.30%
2029/30	3.50%
Years 6 - 10	3.50%
Years 10+	3.50%

For its cash flow generated balances, the Fund will seek to utilise its money market funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

2.2 Investment interest risk

The Fund holds relatively low levels of cash internally which allows fund managers to actively manage the majority of cash balances. The table below details projections for investment cash balance (31 March), the average investment cash balance, investment interest along with an average interest rate.

£000s	Actual 2024/25	Outturn 2025/26	Estimate 2026/27	Estimate 2027/28	Estimate 2028/29
Investment cash balance (31 March)	6,125	50,000	10,000	10,000	10,000
Average investment cash balance	19,315	31,000	20,000	20,000	20,000
Investment interest	981	1,271	680	660	660
Average interest rate	5.08%	4.10%	3.40%	3.30%	3.30%

The investment interest detailed above is derived from Money Market Funds. For the current financial year, the Fund anticipates income of approximately £1.271m, based on an average interest rate of 4.10% and an average cash balance of £31m. The higher average cash balances observed during 2025/26 reflect the disinvestment from an equity manager.