

ITEM No ...9.....

REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD - 4 JUNE 2018

REPORT ON: ANNUAL TREASURY MANAGEMENT ACTIVITY 2017/2018

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 198-2018

1 PURPOSE OF REPORT

To review the Treasury Management activities for the period 1 April 2017 to 31 March 2018.

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 2017/2018 achieved income of £13,136.

4 BACKGROUND

At its meeting on 6th March 2017 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 2017/18 (Article IV of the Minute of Meeting of the Pension Sub-Committee of the Policy and Resources Committee of 6th March 2017, Report No 92-2017 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 2017/2018.

5 THE TREASURY MANAGEMENT STRATEGY FOR 2017/2018

The Treasury Management Strategy for 2017/18 was approved at the meeting on 6th March 2017 of the Pension Sub-committee of the Policy and Resources Committee (Article V of the Minute of Meeting of the Pension Sub-Committee of the Policy and Resources Committee of 6th March 2017, Report No 93-2017 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 2017) was that rates would not rise from 0.25% until June 2019. It is important to note that The Bank of England base rate was increased to 0.5% in November 2017.

6 LENDING FOR 2017/2018

6.1 Interest Rates

Bank of England base rate started the financial year at 0.25% and increased to 0.50% on 2 November 2017 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 2018 shows:

Month	Lowest Amount Lent £m	Highest Amount Lent £m	End of month Amount Lent £m	Interest Rate Range %	
				Min	Max
April 2017	4.415	12.220	4.415	0.01	0.15
May	3.580	7.070	3.580	0.15	0.23
June	3.080	10.000	3.080	0.15	0.21
July	3.225	9.670	3.240	0.18	0.22
August	1.820	4.235	1.820	0.19	0.20
September	1.440	7.560	5.455	0.17	0.20
October	5.075	11.880	5.075	0.15	0.20
November	3.410	8.905	3.410	0.19	0.33
December	2.415	10.245	2.415	0.33	0.40
January 2018	2.305	6.580	2.340	0.40	0.40
February	1.985	7.695	5.525	0.40	0.41
March					

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

25 MAY 2018