

**REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE &  
IMPROVEMENT****PENSION FUND TREASURY MANAGEMENT MID-YEAR REPORT 2020/21****Purpose of the Report**

1. To provide a mid-year review of the Pension Fund's treasury management activities in 2020/21 for the 6 months to 30 September 2020.

**Information**

2. Treasury management is defined as "the management of the council's investments and cashflows; 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".
3. County Council approves the Treasury Management Policy and Strategy - and also receives mid-year and full year outturn reports – on Council-held cash balances. Since April 2020 this role in relation to Pension Fund cash balances has been delegated to the Pension Fund Committee. In turn, this Committee delegates responsibility for the implementation, scrutiny and monitoring of its Pension Fund treasury management policies and practices to the Treasury Management Group, comprising the Service Director (Finance, Infrastructure & Improvement), the Group Manager (Financial Management), the Senior Accountant (Pensions & Treasury Management), the Senior Accountant (Financial Strategy & Compliance) and the Investments Officer.
4. The Pension Fund's treasury management strategy and associated policies and practices for 2020/21 were approved as part of the Council's overall treasury management strategy in February 2020 by Full Council and in the same report delegated to Pension Fund Committee. The strategy and policies for 2021/22 will be presented to Pension Fund Committee for approval in March 2021.
5. The Fund manages its cash investments in-house and invests only with institutions on its approved lending list. The aim to achieve the optimum return on cash investments commensurate with appropriate levels of security and liquidity.
6. In the first half of 2020/21, cash investment activities have been in accordance with the approved limits as set out in the Council's Treasury Management Policy and Strategy. The main points to note are:

- All treasury management activities were undertaken by authorised officers within the limits agreed by the Council.
- All investments were made to counterparties on the Fund's approved lending list.
- No changes made to the Fund's lending criteria during the first half of the year.
- Over the 6 month period the Fund earned 0.17% on its short-term lending, performing better than the average 7 day London Inter-Bank Bid (LIBID) rate which was effectively zero.

7. The table below provides a monthly analysis of the Council's treasury management activity to the end of September:

	<b>Fixed Term</b>	<b>Fixed Term</b>	<b>MMF</b>	<b>MMF</b>	<b>Monthly</b>
	<b>Invested</b>	<b>Redeemed</b>	<b>Invested</b>	<b>Redeemed</b>	<b>Total</b>
	£	£	£	£	£
Total b/f	0		149,350,000	0	149,350,000
April	0	0	66,150,000	(23,800,000)	42,350,000
May	0	0	16,650,000	(28,850,000)	(12,200,000)
June	0	0	14,400,000	(25,400,000)	(11,000,000)
July	0	0	64,250,000	(28,650,000)	35,600,000
August	0	0	48,450,000	(25,350,000)	23,100,000
September	0	0	11,700,000	(31,650,000)	(19,950,000)
<b>Total c/f</b>	<b>0</b>	<b>0</b>	<b>370,950,000</b>	<b>(163,700,000)</b>	<b>207,250,000</b>

8. This shows that active use has been made of the instant-access money market funds (MMFs) on the Pension Fund's counterparty list, but no use has been made of fixed-term deposits. This approach stems from needing to keep the Fund's cash liquid, available not only to pay pensions but also for the various external managers who may require cash for long-term investment at short notice.
9. A snapshot of the Fund's short-term and money market fund investments outstanding as at 30 September is shown in the table below. As can be seen, the rate of return on such monies is very low at the moment, reflecting the wider economic environment.

		<b>Balance</b>	<b>Return</b>
		£	%
Bank of Scotland Plc		20,000,000	0.10
Lloyds Bank plc		20,000,000	0.10
Insight		13,650,000	0.01
BlackRock		14,900,000	0.01
LGIM		31,200,000	0.04
JP Morgan		27,500,000	0.01
Aberdeen		40,000,000	0.08
Federated		40,000,000	0.05
<b>Total</b>		<b>207,250,000</b>	<b>0.05</b>

## **Reasons for Recommendation/s**

10. It is considered good practice for Members to consider treasury management planned and actual performance at least three times per financial year, firstly in the Strategy Report before the start of the year, then in this Mid-Year Report, and also in the Outturn Report, after the close of the financial year.

## **Statutory and Policy Implications**

11. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **Financial Implications**

12. There are no direct financial implications arising from this report.

## **RECOMMENDATION/S**

13. That Pension Fund Committee members approve the actions taken by the Section 151 Officer to date as set out in the report.

**Nigel Stevenson**

**Service Director – Finance, Infrastructure and Improvement**

**For any enquiries about this report please contact: Ciaran Guilfoyle**

## **Constitutional Comments (KK 11/02/2021)**

14. Pension Fund Committee is the appropriate body to consider the content of the report..

## **Financial Comments (TMR 28/01/2021)**

15. There are no direct financial implications arising from this report.

## **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

## **Electoral Division(s) and Member(s) Affected**

- All