

**REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE &  
IMPROVEMENT****PENSION FUND TREASURY MANAGEMENT MID-YEAR REPORT 2021/22****Purpose of the Report**

1. To provide a mid-year review of the Pension Fund's treasury management activities in 2021/22 for the 6 months to 30 September 2021.

**Information**

2. Treasury management is defined as the management of a council's cash deposits; 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. In other words, it is concerned with managing day-to-day cashflow, and ensuring that bills can be paid as and when they fall due. With respect to the Pension Fund, treasury management should be distinguished from the separate process of making long-term investments with the aim of making a return such that should cover the liability to pay out future pensions.
3. The 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 2021/22 were approved by Pension Fund Committee 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 2021/22, cash investment activities have been in accordance with the approved limits as set out in the Pension Fund'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 deposits 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 covered by this report the Fund earned 0.01% on its short-term lending

7. The table below shows that cash deposits as at the end of September totalled £150.6m, and also provides an analysis of the Fund's treasury management activity:

	Total B/f	Total Raised	Total Repaid	Outstanding
	£000	£000	£000	£000
BANK OF SCOTLAND	20,000	0	0	20,000
LLOYDS BANK	20,000	0	0	20,000
INSIGHT MMF	12,500	0	-12,500	0
LGIM MMF	11,000	93,050	-104,050	0
BLACK ROCK	40,000	74,000	-83,400	30,600
JP MORGAN	26,250	0	-26,250	0
ABERDEEN STANDARD	40,000	0	0	40,000
FEDERATED	40,000	0	0	40,000
	<b>209,750</b>	<b>167,050</b>	<b>-226,200</b>	<b>150,600</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. The cash balance at any point in time is the snapshot sum of pension fund contributions (from both employees and employers) and investment income, less retirement lump sums, monthly pension payments, and future investment commitments. As at 30 September, the estimated Pension Fund commitments were as follows:

Investment Commitment	Estimated £m	When required
Schroders	35.2	Immediately
Aberdeen Standard Investments	50.4	As required for property purchases
Private Equity commitments	109.1	Unpredictable
Infrastructure commitments	92.6	Unpredictable
<b>Total</b>	<b>287.3</b>	

10. It should be noted that the rate of return on all cash deposits is extremely low at the moment, ranging from zero with some money market funds to 0.03% on the Lloyds Bank and Bank of Scotland 32-day notice accounts, reflecting the wider economic environment. As a consequence, the Fund earned 0.01% on its short-term lending over the first half of the year.

11. For comparison, the average 7 day London Inter-Bank Bid (LIBID) rate over the same period was minus 0.08%. However, as a financial metric, LIBID is expected to disappear after 31 December 2021, and be replaced with SONIA (Sterling Overnight Index Average), which tends to run higher than LIBID; over the 6 months to September, SONIA averaged 0.05%, some 13 basis points higher. In future reports to Pension Fund Committee, the average SONIA rate will be shown alongside the Fund's average rate of return on its cash deposits.

## **Reasons for Recommendation/s**

12. 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**

13. 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**

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

## **RECOMMENDATION/S**

15. That Pension Fund Committee members endorse 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 05/10/2021)**

16. The proposal in this report is within the remit of the Nottinghamshire Pension Fund Committee.

## **Financial Comments (TMR 05/10/2021)**

17. 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.

- [Pension Fund Treasury Management Mid-year Report 2020/21](#)

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

- All