

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

PENSION FUND TREASURY MANAGEMENT OUTTURN 2023/24

Purpose of the Report

1. To provide a review of the Pension Fund's treasury management activities for the year to 31 March 2024.

Background

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. Responsibility for the treasury management of the Pension Fund was delegated to the Pension Fund Committee at Full Council in February 2020. The purpose of this was to improve the clarity of the governance of the Pension Fund Committee, and to recognise the role of cash investments as part of the Fund's wider investment strategy. This report summarises pension fund cash investment activity for the year 2023/24.
4. Responsibility for the implementation, scrutiny and monitoring of treasury management policies and practices is delegated to the *Treasury Management Group*, comprising:
 - the Service Director (Finance, Infrastructure & Improvement)
 - the Group Manager (Financial Services)
 - the Senior Accountant (Pensions & Treasury Management)
 - the Senior Accountant (Financial Strategy & Accounting)
 - the Investments Officer.
5. During 2023/24, cash investment activities were in accordance with the approved limits as set out in the Fund's Treasury Management Policy and Strategy. The main points from this report are:
 - All treasury management activities were carried out by authorised officers within the limits agreed by the Pension Fund Committee.
 - All investments were made to counterparties on the Fund's approved lending list.

- At 31 March long-term cash deposits were zero - within the limit agreed as a Fund Prudential Indicator.
- Averaged over the year the Fund earned 5.06% on its cash investments, compared to the adjusted average Sterling Overnight Index Average (SONIA) rate for 2023/24 which was 4.84%.

Outturn Treasury Position

6. The Fund's Treasury Management strategy and associated policies and practices for 2023/24 were approved in March 2023 by Pension Fund Committee. The Service Director (Finance, Infrastructure & Improvement) complied with the strategy throughout the financial year.
7. The Fund manages its cash flows through lending activities on the wholesale money markets. The Fund has an approved list of counterparties for investment and aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity.
8. The Fund's average cash balance over 2023/24 was £176.7m (compared with £153.4m in 2022/23), and the table below shows a summary of the deposit/recall activity underlying this:

	Total B/f £000	Total Raised £000	Total Repaid £000	Outstanding £000
INSIGHT MMF	0	45,250	-5,250	40,000
LGIM MMF	16,950	75,150	-52,100	40,000
BLACK ROCK	35,600	72,600	-99,600	8,600
JP MORGAN	600	96,300	-96,900	0
ABERDEEN STANDARD FEDERATED	40,000	112,650	-118,250	34,400
	13,600	56,950	-30,550	40,000
	106,750	458,900	-402,650	163,000

9. The table below shows some of the larger investment commitments that the Fund's cash balance is required to cover, over and above the required monthly pension payments. Although the total commitment at 31 March exceeds the £163m cash balance, the anticipated drawdowns for Private Equity and Infrastructure commitments will be made over a number of years. Furthermore, any planned property purchases (by abrdn) have a long enough lead-in for the liquidity to be comfortably arranged.

Commitment estimates as at 31 March 2024	£m	When required
Schroders cash balance	42.6	Immediately
Private Equity commitments	111.7	Unpredictable
Infrastructure/Credit commitments	140.7	Unpredictable
Property commitments	38.0	Unpredictable
Total	333.0	

10. The Fund made use of Money Market Funds as part of its strategy of keeping cash balances available for investment in its main portfolios. The return achieved on Pension Fund cash balances over the course of the year was 5.06%, higher than the adjusted average Sterling Overnight Index Average (SONIA) rate over the same period, which was 4.84%.
11. For comparison purposes, average returns on cash for 2023/24 for Nottinghamshire and some of our partners in LGPS Central are shown in the table below. These have been anonymised as not all have published their returns to date:

A General Fund	5.08%
Nottinghamshire Pension Fund	5.06%
Nottinghamshire General Fund	5.01%
B Pension Fund	c. 5%
C General Fund	4.98%
D Pension Fund	4.84%
E General Fund	4.79%
F General Fund	4.78%
G Pension Fund	4.56%
H Pension Fund	4.23%

Statutory and Policy Implications

12. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

13. That Pension Fund Committee members approve the Outturn Statement as set out in the report.

Nigel Stevenson

Service Director for Finance, Infrastructure & Improvement and Section 151 Officer

For any enquiries about this report please contact: Ciaran Guilfoyle

Constitutional Comments (KK 22/05/2024)

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

Financial Comments (TMR 20/05/2024)

15. There are no financial implications arising directly 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.

- CIPFA Code, Treasury management in the public services, 2021