

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

1. To provide a review of the Pension Fund's treasury management activities for the year to 31 March 2021.

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 summarizes pension fund cash investment activity for the year 2020/21.
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 2020/21, cash investment activities were in accordance with the approved limits as set out in the Council'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 Council.
 - All investments were made to counterparties on the Fund's approved lending list.

- Over the course of the year the Council earned 0.09% on its cash investments, compared with the average 7-day London Interbank BID (LIBID) rate for 2020/21 which was effectively zero.

Outturn Treasury Position

- The Fund's treasury management strategy and associated policies and practices for 2020/21 were approved in February 2020 by Full Council. The Service Director (Finance, Infrastructure & Improvement) complied with the strategy throughout the financial year.
- 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.
- The Fund's lending of temporary cash balances over the year is summarised in Table 1 below.

Table 1 Lending of temporary cash balances	£m
Outstanding 31 March 2020	149.4
Amount lent during 2020/21	389.7
Amount repaid during 2020/21	(329.3)
Outstanding 31 March 2021	209.8

- Table 2 below shows the various investment commitments that the Fund's cash balance is required to cover, over and above the required monthly pension payments. Although the total commitment as at 31 March exceeds the £209.8m cash balance, the drawdowns for Private Equity and Infrastructure commitments are usually made over a number of years and have been even slower over the last year. It is therefore unlikely that the full 100% will be called at short notice.

Table 2 Commitment as at 31 March 2021	£m	When required
Schroders cash balance	33.9	Immediately
Aberdeen Standard Investments	60.6	As required for property purchases
Private Equity commitments	124.7	Unpredictable
Infrastructure commitments	29.5	Unpredictable
Total	248.7	

- As part of the Council's wider treasury management strategy the Fund has inherited the following prudential indicator, which relates to fixed-term investments made for periods in excess of 1 year:

Table 3 Treasury Management Prudential Indicator 2020/21	Approved limit	Position at 31 March
Upper limit for principal sums invested for over 365 days as at 31 March	Higher of £20m and 15%	£0m

11. The Fund's average cash investment level over 2020/21 was £229.0m (compared with £161.7m in 2019/20). The return achieved on this balance over the course of the year was 0.09% against the 7-day LIBID benchmark which was in effect zero. Investment rates available in the market remain very low as a result of central bank inflation policies. Table 4 below shows the returns achieved by type of deposit. The Fund made no fixed-term deposits 2020/21, as part of its strategy of keeping cash balances liquid and ready for investment in its main portfolios.

Table 4 Returns on Investments	Average Balance	Interest Earned	Average Return
	£m	£000	%
Fixed Term Investments	0.0	0.0	n/a
Call Accounts / Money Market Funds	229.0	204.8	0.09

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

That Pension Fund Committee members approve the Out-turn 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 08/04/2021)

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

Financial Comments (TMR 08/04/2021)

14. 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.

- 2017 CIPFA Code of Practice on Treasury Management