MD2975 Appendix 1: Treasury Management Strategy Statement (TMSS) for 2023-24

1 Introduction

1.1 This document has been prepared with regard to the following legislation and guidance:

- The Local Government Act 2003;
- The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (the Code) and associated Guidance Notes;
- The CIPFA Prudential Code for Capital Finance in Local Authorities and associated Guidance Notes;
- The Department for Levelling Up, Housing and Communities (DLUHC) Capital Finance: Guidance on Local Government Investments; and
- The DLUHC Capital Finance: Guidance on Minimum Revenue Provision.

1.2 The Code defines treasury management activities as:

'The management of the organisation's borrowing, investments and cash flows, 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.'

1.3 This TMSS therefore takes into account the GLA's Budget, Capital Spending Plan and balance sheet position and covers the following areas:

- Borrowing Strategy;
- Internal Borrowing Approach;
- Policy on Borrowing in Advance of Need;
- Debt Rescheduling;
- Delegation / Authorisation;
- Investment Strategy;
- Use of External Service Providers;
- Treasury Training;
- Investment Strategy (Appendix 3).

1.4 The GLA regards the successful identification, monitoring and control of risks to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Final responsibility for risk management and control resides with the GLA and cannot be delegated to any outside organisation.

1.5 The treasury management risks the GLA is exposed to are:

- Credit and counterparty risk (security of investments);
- Liquidity risk (inadequate cash resources);
- Interest and market risk (fluctuations in interest rate levels and thereby in the value of investments);
- Refinancing risk (impact of debt maturing in future years); and
- Legal, regulatory and fraud risk (non-compliance with statutory and regulatory requirements, risk of fraud).

1.6 The GLA formally adopts the Code through the following provisions:

i. The GLA will create and maintain:

- a Treasury Management Policy Statement stating the policies, objectives and approach to risk management of its treasury management activities; and
- suitable Treasury Management Practices (TMPs), setting out the manner in which the GLA will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

These are currently set out in MD2975. The proposed policy statement and TMPs follow the recommendations of the Code, subject only to amendments where necessary to reflect the circumstances of the GLA. Such amendments do not result in the GLA materially deviating from the Code's key principles.

ii. The Mayor will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual treasury management strategy and plan (this report) for the year ahead in a form consistent with TMPs. Quarterly performance reports, including a mid-year review and annual outturn report will be included in the GLA's quarterly budget and performance monitoring process.

iii. The Mayor holds responsibility for the implementation and regular monitoring of its treasury management policies and practices and delegates responsibility for the execution and administration of treasury management decisions to the Executive Director of Resources. The Executive Director of Resources will act in accordance with the GLA's policy statement and TMPs and, if this officer is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

iv. The Assembly has delegated the responsibility for ensuring effective scrutiny of the treasury management activities to the Audit Panel. The Mayor delegates scrutiny of quarterly performance to the quarterly Corporate Management Team and Mayor's Office challenge sessions.

v. Should there be a need to revise the Treasury Management Strategy Statement; the Treasury Management Policy Statement; the Minimum Revenue Provision Policy Statement; the Prudential Code Indicators and Treasury Management Limits; the Investment Strategy and the Treasury Management Practices at times other than those stated above, then these updates will be submitted to the Mayor for approval. The Assembly will be fully consulted where there is any change to borrowing limits.

vi. Should the Executive Director of Resources wish to depart in any material respect from the main principles of the Code, the reason should be disclosed, in advance, in a report to the Mayor.

1.7 The Executive Director of Resources is required to submit an annual treasury management strategy to the Mayor for approval. The Executive Director of Resources is responsible for maintaining the Treasury Management Practices (TMPs) and monitoring and managing the strategy, with day to day management of this function delegated to the Chief Investment Officer and his staff.

2 Borrowing Strategy

2.1 The GLA's prudent approach to borrowing is characterised by matching interest rate structures to the behaviour of the relevant revenue streams used for funding interest and repayments and close matching of maturity profiles to expected cashflows available for debt repayment.

2.2 Where possible, the GLA will focus on mitigating the risk of future interest rate rises by securing future drawdowns of funding at rates agreed in advance, while using short-term finance to manage immediate cash flow needs.

2.3 Considering the fluctuations in the cost of PWLB borrowing, Group Treasury will continue to build relationships with other lenders and establish a capital markets presence that will achieve the lowest possible margin above Gilts, in pursuit of long-term access to sustainable funding.

2.4 Where it is likely to lead to lower interest and/or administrative cost, the GLA will consider borrowing on behalf of its functional bodies.

2.5 Where possible, the GLA will top-slice the concerned functional bodies' shares of business rates or other GLA-controlled income to fund the repayment of the borrowing over time. This will avoid a proliferation of back-to-back loan agreements with the attendant cost and operational risk.

3 Internal Borrowing Approach

3.1 When using cash balances in lieu of external borrowing, the GLA acknowledges that this may reduce credit risk and short-term net financing costs, mindful of the following considerations:

- The GLA must maintain sufficient liquidity to be certain of meeting existing borrowing and other obligations
- The measures set out in the investment strategy below substantially control credit risk
- The materiality of such risks should be considered in the light of the long-term financial consequences of sub-optimal borrowing decisions
- Investment rates are expected to remain below borrowing rates over the next 12 months
- Agreements with central government specifying particular levels of borrowing.

4 Policy on Borrowing in Advance of Need

4.1 The GLA will not borrow more than or in advance of need purely to profit from the investment of the surplus borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the GLA can ensure the security of such funds.

4.2 In determining whether borrowing will be undertaken in advance of need, the GLA will:

- Ensure the ongoing revenue liabilities created, and the implications for future plans and budgets, are considered to be affordable and are within approved budgets;
- Evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
- Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships; and
- Consider the alternative interest rates bases available, the most appropriate periods to fund and repayment profiles to use.

5 Debt Rescheduling

5.1 PWLB pricing policies currently impose a considerable spread between the rate of new loans and the rate used to calculate premiums or discounts on early redemption. This means rescheduling is typically poor value for money and emphasises the importance of attempting to optimise maturity profiles when finalising borrowing transactions.

5.2 The GLA continues to consider the use of intragroup transactions, to offer savings on borrowing and/or risk management opportunities.

6 Delegation / Authorisation

6.1 The arrangements for borrowing, including the selection and the type and structure of debt instruments, and authority to incur any incidental expenditure are delegated to the Executive Director of Resources and the Chief Investment Officer, provided no decision contravenes the limits set out in the prevailing TMSS.

6.2 On the basis of the above, the Executive Director of Resources and the Chief Investment Officer are:

- authorised to approve borrowing by the GLA, for the purposes of financing capital expenditure;
- authorised to make use of cash balances to fund internal borrowing when it is considered advantageous;
- authorised to borrow temporarily within the Authorised Limit, where this represents prudent management of the GLA's affairs. As an example, where a cash flow requirement is short-lived, the opportunity cost of withdrawing or otherwise liquidating investments may exceed that of temporary borrowing. In such circumstances, borrowing may be the prudent action; and
- authorised to borrow temporarily above the Authorised Limit where, and only where the amount of the increased limit represents the amount of any delayed payment which is due to the GLA and has not been received on the due date, and such delay has not already been provided for in the Authorised Limit, under the provisions of section 5 of the Local Government Act 2003.

7 Investment Strategy

7.1 The GLA recognises the following categories of investment:

- Treasury Investments – arising from the management of reserves and working capital of the GLA, invested with priority to security and liquidity before yield, but nevertheless always seeking to achieve best value consistent with the GLA's risk appetite.
- Service Investments – related to the purposes and policy objectives of the GLA, frequently on commercial terms to protect taxpayer value for money, though sometimes representing a level of subsidy (e.g. the Mayor's Energy Efficiency Fund). Depending on the legal structure and financial characteristics of such investments, they may or may not be categorised as capital expenditure.
- Commercial Investments – long term investments typically categorised as capital expenditure, which are primarily for a commercial purpose (i.e. to generate returns to subsidise other activities). The GLA has no investments of this type.

7.2 This document pertains to the first category noting any high-level interactions with others. The GLA will produce an integrated investment strategy in the course of 2023-24.

7.3 The GLA will continue its successful pooled approach for Treasury Investments through the London Treasury Liquidity Fund L.P. (LTLF), invested in line with Appendix 3. The principal portfolio manager of LTLF is the GLA subsidiary, London Treasury Limited (LTL). Management and Compliance oversight is provided by the Alternative Investment Fund Manager (AIFM), G10 Capital Limited, and the custody of assets together with the bank accounts and cash movements within LTLF are overseen by the Depositary, State Street Trustees Limited. Administration, valuation and custody services are provided by State Street Bank and Trust Company.

7.4 Additionally, the Chief Investment Officer may, to mitigate particular risks or capture specific opportunities, with agreement from the Executive Director of Resources, cause sums to be invested independently of LTLF, subject to the same parameters set out in Appendix 3 (Investment Strategy), except that there shall be no requirement to maintain any particular weighted average maturity.

7.5 Subject to appropriate Decisions, the GLA may use treasury balances to support service investments, subject to commercial returns appropriate to the relevant risks. The GLA will typically consider such investments through an appropriately constituted Investment Committee. The Chief Investment Officer will provide advice on the impact such decisions may have on the risk profile of the treasury portfolio as a whole. The Mayor's Land Fund is an example of this.

7.6 Limits for the various high-level allocations are as follows:

Investment Category	Limits
LTLF	None
GLA 'own name' investments	No more than 10% of balances at point of investment
Mayor's Land Fund	• Temporary loans up to 3 months only; • Maximum aggregate exposure is £250m less current book value of outstanding investments.

7.7 The consolidated limits set out at Appendix 3 (Investment Strategy) are intended to specify a target allocation over the long-term and manage risks. In the case of RMBS and strategic investments, it would not be desirable to increase or reduce allocations on a frequent basis as this would risk incurring transaction costs and crystallising unrealised losses. The GLA's approach through LTLF seeks to balance the need to react to changing cash balance assumptions and manage concentration risks (objectives which favour percentage-based limits) and avoid the need to adjust positions more frequently than necessary (an approach which favours fixed cash limits).

7.8 Therefore, the GLA will maintain a rolling 12-month cash balance forecast of balances for itself and participants in the GLA's treasury management shared service and will provide this to LTL quarterly or sooner if the average balance forecast changes by more than 20%. From this and incorporating any cash flow information from LTLF partners outside the GLA's shared service, LTL will calculate cash limits for LTLF.

7.9 LTL (and any external managers) will report any exception to their cash limits to the AIFM and the Executive Director of Resources and nominated officers of the other LTLF partners constituting the Limited Partners' Advisory Committee (LPAC), at minimum quarterly but subject to requirements from time to time agreed by the LPAC.

7.10 Where an exception has arisen because of a manager's action (active exceptions) or as a result of balance forecasts and/or market values changing (passive exceptions), the choice of corrective action is delegated to LTLF's managers, with a requirement to report to the AIFM and LPAC.

8 Use of External Service Providers

8.1 The GLA's treasury management investments are managed by its subsidiary company, LTL, which is authorised and regulated by the FCA to manage investments and provide investment advice.

8.2 The GLA uses Link Asset Services (Link) as its external treasury management advisor under a joint arrangement with other members of the GLA's treasury management shared service. Other professional advisors may be appointed to assist with particular projects, in particular Land Fund and strategic investments. The current panel of advisors includes Institutional Investment Advisors (IIA), TradeRisks and Camdor Global Advisors.

8.3 Whilst recognising the specialist skills and resources advisors can provide, the GLA acknowledges that responsibility for treasury management decisions remains wholly with the organisation and will ensure that undue reliance is not placed upon external service providers.

8.4 External managers for treasury investments will comply with this and subsequent treasury management strategies and more detailed investment mandates prepared by the Chief Investment Officer. At the time of writing, the GLA has no directly engaged external managers in respect of treasury investments.

8.5 The RBS group is the GLA's banker and continues to provide a competitive service under an annual rolling contract.

8.6 The GLA's policy is that any custodian (or, if relevant, sub-custodian) shall meet the GLA's credit criteria for 12-month investments (prior to Credit Default Swaps, market or other temporary adjustments).

9 Treasury Training

9.1 The Code requires that elected Members with responsibility for treasury management receive adequate training in treasury management. Those charged with governance are also personally responsible for ensuring they have the necessary skills and training.

9.2 Group Treasury officers performing regulated roles while seconded to LTL are obliged to undertake regulatory and technical training as required from time to time by LTL's board.

9.3 Group Treasury officers also routinely attend national forums and practitioner groups, such as the CIPFA Treasury Management Network.

9.4 The training needs of officers and elected Members are reviewed annually.

9.5 Group Treasury, supported by Link, will maintain a regular training programme available to elected Members and all senior officers participating in the GLA's treasury management shared service. A record of the training provided will be kept for future reference.

Appendix 2 – Part 1: Prudential and Treasury Management Indicators

1 Capital Expenditure Prudential Indicators

Capital Expenditure

1.1 Capital expenditure under the approved capital spending plan is a key driver of treasury management activity.

1.2 All capital expenditure is included, not just that covered by borrowing.

Capital Expenditure (£m)	2022-23 Forecast Outturn	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
Total Capital Expenditure	2,119.10	1,525.80	1,590.00	1,706.20

1.3 The table below shows how the above capital expenditure is being funded by capital or revenue resources. Any shortfall of funding resources results in a borrowing need.

Financing of Capital Expenditure (£m)	2022-23 Forecast Outturn	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
Capital Grants	1,519.50	1,419.80	1,527.30	1,662.60
Capital Receipts	9.40			
Capital Reserves				
Other Revenue	206.90	64.10	2.70	7.00
Total Funding	**1,735.80**	**1483.90**	**1,530.00**	**1,669.60**
Net Financing Need for the Year	383.30	41.90	60.00	36.60
Total Capital Expenditure	**2,119.10**	**1,525.80**	**1,590.00**	**1,706.20**

Capital Financing Requirement (CFR) – the Authority's Borrowing Need

1.4 The Capital Financing Requirement (CFR) is an indication of the underlying need to borrow for capital purposes. It is the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resource.

1.5 It is a measure of the Authority's yet unfunded capital expenditure, i.e. its underlying borrowing need. Any capital expenditure above, which has not immediately been charged to the revenue account or matched to capital grants, receipts, or reserves, will increase the CFR. The annual Minimum Revenue Provision (MRP) acts to spread the revenue impact of this over the aggregate useful life of the assets in question.

1.6 The Mayor is asked to note the CFR projections below:

Capital Financing Requirement (CFR) (£m)	2021-22 Actual	2022-23 Forecast Outturn	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
Total CFR	5,452.88	5,449.15	5,263.80	5,083.62	4,852.14
Movement in CFR	290.06	(3.73)	(185.35)	(180.18)	(231.48)

Movement in CFR (£m)	2021-22 Actual	2022-23 Forecast Outturn	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
Net Financing Need for the Year	515.58	383.30	41.90	60.00	36.60
Less MRP[1]/VRP[2] and Other Financing Movements	(225.52)	(387.03)	(227.25)	(240.18)	(268.08)
Movement in CFR	290.06	(3.73)	(185.35)	(180.18)	(231.48)

2 External Debt Prudential Indicators

Authorised Limit for External Debt

2.1 The Authorised Limit is the expected maximum borrowing needed with some headroom for unexpected developments such as unusual cash movements.

2.2 For the purposes of the Prudential Code, borrowing is distinguished from other long-term liabilities.

2.3 The Authorised Limit is the statutory limit that is determined, by the Mayor in consultation with the Assembly, under section 3(1) of the Local Government Act 2003. It is intended to be an absolute ceiling which cannot be exceeded, except as provided under section 5 of the Local Government Act 2003, where payments expected but not yet received can temporarily result in the limit being exceeded, provided the original setting of the limit had not taken into account any delay in receipt of these payments.

Authorised Limit for External Debt – Group

GLA (£m)	2023-24 Proposed	2024-25 Proposed	2025-26 Proposed
Borrowing	7,200.00	7,200.00	7,200.00
Other Long-Term Liabilities	-	-	-
Total	**7,200.00**	**7,200.00**	**7,200.00**

[1] Minimum Revenue Provision
[2] Voluntary Revenue Provision

MOPAC (£m)	2023-24 Proposed	2024-25 Proposed	2025-26 Proposed
Borrowing	887.70	1,103.60	1,188.40
Other Long-Term Liabilities	49.70	39.90	31.50
Total	**937.40**	**1,143.50**	**1,219.90**

LFC (£m)	2023-24 Proposed	2024-25 Proposed	2025-26 Proposed
Borrowing	175.00	175.00	175.00
Other Long-Term Liabilities	70.00	70.00	70.00
Total	**245.00**	**245.00**	**245.00**

***TfL Corporation (£m)**	2023-24 Proposed	2024-25 Proposed	2025-26 Proposed
Borrowing	14,108.50	14,678.60	15,173.60
Other Long-Term Liabilities	700.50	645.60	604.40
Total	**14,809.00**	**15,324.20**	**15,778.00**
***TfL Group (£m)**	2023-24 Proposed	2024-25 Proposed	2025-26 Proposed
Borrowing	14,113.50	14,725.50	15,220.50
Other Long-Term Liabilities	2,891.40	2,794.50	2,676.40
Total	**17,004.90**	**17,520.00**	**17,896.90**

**TfL Corporation figures are included in the TfL Group figures*

LLDC (£m)	2023-24 Proposed	2024-25 Proposed	2025-26 Proposed
Borrowing	550.00	550.00	550.00
Other Long-Term Liabilities	-	-	-
Total	**550.00**	**550.00**	**550.00**

GLA Group (£m)	2023-24 Proposed	2024-25 Proposed	2025-26 Proposed
Borrowing	22,926.20	23,754.10	24,333.90

Other Long-Term Liabilities	3,011.10	2,904.40	2,777.90
Total	**25,937.30**	**26,658.50**	**27,111.80**

Operational Boundary for External Debt

2.4 The Operational Boundary is based on the same estimates as the Authorised Limit. However, it reflects an estimate of a prudent level of borrowing required to meet capital expenditure and maintain sufficient liquidity.

2.5 The Operational Boundary is set as a warning signal that external debt has reached a level nearing the Authorised Limit and must be monitored carefully. It is not significant if the Operational Boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the Operational Boundary would be significant, requiring further investigation and action as appropriate.

Operational Boundary for External Debt – Group

GLA (£m)	2023-24 Proposed	2024-25 Proposed	2025-26 Proposed
Borrowing	6,800.00	6,800.00	6,800.00
Other Long-Term Liabilities	-	-	-
Total	**6,800.00**	**6,800.00**	**6,800.00**

MOPAC (£m)	2023-24 Proposed	2024-25 Proposed	2025-26 Proposed
Borrowing	762.70	978.60	1,063.40
Other Long-Term Liabilities	49.70	39.90	31.50
Total	**812.40**	**1,018.50**	**1,094.90**

LFC (£m)	2023-24 Proposed	2024-25 Proposed	2025-26 Proposed
Borrowing	170.00	170.00	170.00
Other Long-Term Liabilities	70.00	70.00	70.00
Total	**240.00**	**240.00**	**240.00**

***TfL Corporation (£m)**	2023-24 Proposed	2024-25 Proposed	2025-26 Proposed
Borrowing	13,108.50	13,478.60	13,973.60

Other Long-Term Liabilities	450.50	395.60	354.40
Total	**13,559.00**	**13,874.20**	**14,328.00**

***TfL Group (£m)**	2023-24 Proposed	2024-25 Proposed	2025-26 Proposed
Borrowing	13,113.50	13,525.50	13,983.60
Other Long-Term Liabilities	2,391.40	2,294.50	2,176.40
Total	**15,504.90**	**15,820.00**	**16,160.00**

**TfL Corporation figures are included in the TfL Group figures*

LLDC (£m)	2023-24 Proposed	2024-25 Proposed	2025-26 Proposed
Borrowing	500.00	530.00	540.00
Other Long-Term Liabilities	-	-	-
Total	**500.00**	**530.00**	**540.00**

GLA Group (£m)	2023-24 Proposed	2024-25 Proposed	2025-26 Proposed
Borrowing	21,346.20	22,004.10	22,557.00
Other Long-Term Liabilities	2,5110.10	2,404.40	2,277.90
Total	**23,857.30**	**24,408.50**	**24,834.90**

Gross Debt and Capital Financing Requirement

2.6 This indicator seeks to ensure that debt does not, except in the short-term, exceed the total of the Capital Financing Requirement in the preceding year plus the estimates of any additional Capital Financing Requirement for the current and next two financial years.

Gross Debt and Capital Financing Requirement (£m)	2021-22 Actual	2022-23 Forecast Outturn	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
Gross Debt at 31 March	5,373.41	5,298.65	5,070.62	4,835.72	4,483.42
Capital Financing Requirement	5,452.88	5,449.15	5,263.80	5,083.62	4,852.14

2.7 For the purposes of the Prudential Code, gross debt refers to the sum of borrowing and other long-term liabilities.

3 Affordability Prudential Indicators

Ratio of Financing Costs to Net Revenue Stream

3.1 This indicator compares the total principal and net interest payments on external debt to the overall revenue spending of the Authority (not including amounts paid to functional bodies from group funding sources such as retained business rates).

Financing Costs to Net Revenue Stream (%)	2022-23 Forecast Outturn	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
Financing Costs to Net Revenue Stream	18%	17%	20%	20%

3.2 These ratios indicate the significance of debt service to the Authority's spending and the need for extremely prudent management of the relevant risks.

Interest Cover Ratio

3.3 Given the scale of financing costs involved in the Crossrail borrowing and the Northern Line Extension (NLE) borrowing, the financing arrangements for these two projects included the requirement that the Authority will always hold the cash required to cover six months' worth of interest payable.

4 Treasury Management Prudential Indicators

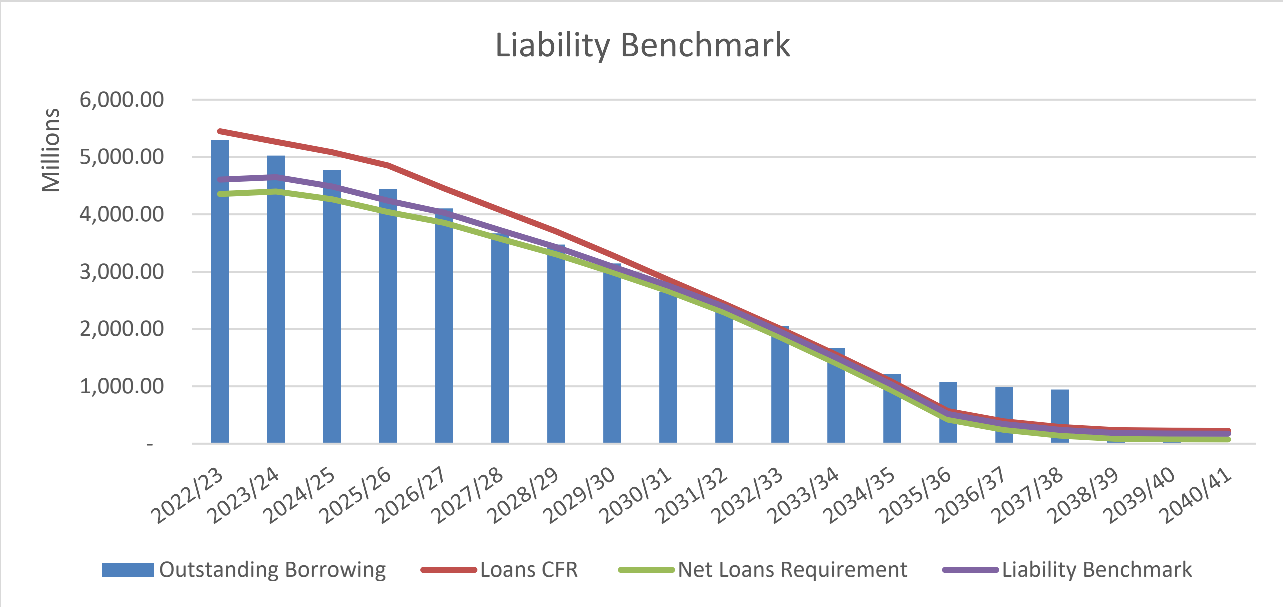
Limits for Principal Sums Invested for Periods Longer than 365 days

4.1 This indicator seeks to contain the risk inherent in the maturity structure of the GLA's

Maximum Principal Sums Invested for Longer Than 365 Days (£m)	2023-24	2024-25	2025-26
Land Fund	250.00	250.00	250.00
Treasury – other strategic Investments	Up to 15% of rolling 1-year cash balance forecast		

5 Liability Benchmark

5.1 This new indicator sets out how the GLA's CFR is expected to amortise over time as the minimum revenue provision takes effect, and, taking account of prudent levels of using existing cash in lieu of external borrowing, derives a net loans requirement as a benchmark to compare with existing debt:



5.2 The GLA's CFR is dominated by the impact of funding Crossrail; the apparent mismatch in the late 2030s reflects slight improvements in expected business rates supplement (BRS) income from the pandemic estimates that the GLA used to plan the maturity of the most recent tranche of Crossrail borrowing from DfT.

Appendix 2 – Part 2: GLA 2021-22 Treasury Management Outturn and 2022-23 Mid-Year Report

1 Summary of Performance

1.1 Investment balances for the GLA were £3,949.36m at 31 March 2022 and £3,767.65m at 30 September 2022.

1.2 Returns on core liquidity for the year 2021-22 equated to £9.63m, representing 39.8% of total income and a return of 0.29%

1.3 Returns on strategic investments for the year 2021-22 were £6.49m, representing 26.8% of total income and a rate of return of 6.45%

1.4 Returns on short-term investments for the first half of 2021-22 were £18.30m and an annual equivalent rate of return of 1.34%

1.5 Returns on strategic investments for the first half of 2022-23 were £3.77m, representing 11.81% of total income and an annual equivalent rate of return of 4.00%.

1.6 The debt portfolio increased from £5,154.21m at the start of 2021-22 to £5,373.41m at 31 March 2022, and reduced to £5,302.60m at 30 September 2022.

2 Treasury Management Strategy Statement (TMSS) 2021-22 and 2022-23

2.1 The Executive Director of Resources confirms that, throughout the reporting period, all treasury activities have been conducted within the parameters of the Treasury Management Strategy Statement.

3 Treasury Management Outturn Position for 2021-22 and 2022-23 Mid-Year Update

Treasury Management Position	**Actual at 31/03/21**		**Actual at 31/03/22**		**Actual at 30/09/22 (Mid-Year)**	
	Amount (£m)	Rate (%)	Amount (£m)	Rate (%)	Amount (£m)	Rate (%)
Long-Term Borrowing	5,131,63	3.01	5,351.75	2.95	5,283.75	2.96
Short-Term Borrowing (Variable Rate)	22.59	0.33	21.65	0.84	18.84	2.30
Total External Borrowing (A)	**5,154.21**		**5,373.41**		**5,302.60**	
PFI Liabilities	-		-		-	
Finance Lease Liabilities	-		-		-	

Total Other Long-Term Liabilities (B)	**-**		-		-	
Total Gross Debt (A+B)	**5,154.21**		**5,373.41**		**5,302.60**	
Capital Financing Requirement	5,162.82		5,452.88		**5,788.63**	
Less Other Long-Term Liabilities	-		-		**-**	
Underlying Capital Borrowing Requirement (C)	**5,162.82**		**5,452.88**		**5,788.63**	
Under/(Over) Borrowing (C-A)	8.61		79.47		**486.03**	
Investments: Short/Long-Term (D)	4,258.95		3,949.36		**3,767.65**	
Total Net Borrowing (A-D)	**895.26**		**1,424.05**		**1,534.95**	

4 Borrowing Activities

4.1 The GLA is required to borrow to fund its capital programme. The amount of new borrowing needed each year is determined by new capital schemes approved and included in the capital programme. Temporary borrowing is required to manage operational cashflow requirements. The following table shows the movement in borrowing during the reporting period and the split of borrowing between GLA general borrowing and GLA borrowing for specific projects i.e. Crossrail and the Northern Line Extension (NLE).

Borrowing (£m)	**Long-Term**				**Short-Term**	**Total**
	GLA	**Crossrail**	**NLE**	**Total**		
Balance at 31/03/21	**195.00**	**4,037.50**	**899.13**	**5,131.63**	**22.59**	**5,154.21**
Add New Loans in 2021-22	-	554.00	6.63	**560.63**	6.78	**567.41**
Less Loans Repaid in 2021-22	(70.00)	(270.50)	-	**(340.50)**	(7.72)	**(348.22)**
Balance at 31/03/22	**125.00**	**4,321.00**	**905.75**	**5,351.75**	**21.65**	**5,373.41**
Add New Loans in 2022-23	-	164.00	-	**164.00**	0.09	**164.09**
Less Loans Repaid in 2022-23	(35.00)	(197.00)	-	**(232.00)**	(2.91)	**(234.91)**
Balance at 30/09/22	**90.00**	**4,288.00**	**905.75**	**5,283.75**	**18.84**	**5,302.60**

4.2 The table below shows the breakdown of short-term borrowing over the reporting period.

Short-term borrowing (£m)	**LWARB**	**OPDC**	**Total**
Balance at 31/03/21	**14.45**	**8.14**	**22.59**
Add New Loans in 2021-22	0.05	6.73	6.78
Less Loans Repaid in 2021-22	(4.54)	(3.18)	(7.72)
Balance at 31/03/22	**9.95**	**11.70**	**21.65**
Add New Loans in 2022-23	0.02	0.07	0.09
Less Loans Repaid in 2022-23	(2.91)		(2.91)
Balance at 30/09/22	**7.07**	**11.77**	**18.84**

5 Investment Activities

5.1 The table below shows the breakdown of investment balances over the reporting period.

Investments (£m)	**Long-Term (Strategic Investments)**	**Short-Term (RMBS)**	**Short-Term (Other)**	**Total**
Balance at 01/04/21	44.26	698.37	3,516.32	4,258.95
Balance at 31/03/22	**157.07**	**1,226.87**	**2,565.41**	**3,949.36**
Net Movement	*112.81*	*528.50*	*(950.91)*	*(309.59)*
Balance at 30/09/22	**177.87**	**901.94**	**2,687.84**	**3,767.65**
Net Movement	*20.79*	*(324.93)*	*122.42*	*(181.71)*

6 Investment Performance

6.1 The performance of the strategic investments portfolio is shown in the table below.

Strategic Investments (£m)	**Balance**	**Return**
2021-22		31/03/22
SME Lending	28.87	1.67
Renewable Energy and Sustainable Infrastructure	12.36	2.39
Social Infrastructure	22.77	1.38

Social Infrastructure - Units	45.54	0.90
Bond Investment	45.54	0.15
SME Lending – Shipping	0.12	
Total	**155.20**	**6.49**
2022-23		30/09/22
SME Lending	44.50	1.59
Renewable Energy and Sustainable Infrastructure	12.53	-
Social Infrastructure	19.76	0.45
Social Infrastructure – Units	39.53	1.26
Bond Investment	59.29	0.47
SME Lending – Shipping	2.27	
Total	**177.87**	**3.77**

7 Short-Term Investments

7.1 Returns on short-term investments during the reporting period were as follows:

- 2021-22: £9.63m on core investments and £18.30m for the first half of 2022-23.

8 Total Returns

8.1 Total returns on investments for the year 2021-22 were £24.21m and £31.95m for the first half of 2022-23.

9 Financing Costs

Financing Costs (£m)	**2021-22 Budget**	**2021-22 Actual**	**2022-23 Budget**	**2022-23 Actual at 30/09/22 (Mid-Year)**
Interest Payable: PWLB, Bonds and Market Loans	182.30	155.69	173.40	78.80
Interest Payable: Other Long-Term Liabilities	-	-	-	-

Total Interest Receivable	(9.00)	(24.21)	(27.00)	(31.95)

10 Prudential and Treasury Management Indicators

Capital Expenditure Prudential Indicators

Capital Expenditure and Capital Financing Requirement (£m)	2021-22 Budget	2021-22 Actual	2021-22 Variance
Capital Expenditure	1,786.00	1693.00	(93.00)
Capital Financing Requirement	5,995.94	5,452.88	(543.07)

External Debt Prudential Indicators

Authorised Limit for External Debt

Authorised Limit for External Debt (£m)	2021-22	2022-23
Authorised Limit	7,200.00	7,200.00
External Debt at Period End (31 March and 30 September respectively)	5,373.41	5,302.60
Headroom	1,826.59	1,897.40

Operational Boundary for External Debt

Operational Boundary for External Debt (£m)	2021-22	2022-23
Operational Boundary	6,800.00	6,800.00
External Debt at Period End (31 March and 30 September respectively)	5,373.41	5,302.60
Headroom	1,426.59	1,497.40

Investment Strategy 2023-24

1. Background

1.1. This document sets out the investment strategy for the London Treasury Liquidity Fund (LTLF), formerly known as the GLA Group Investment Syndicate (GIS).

2. Strategic Asset Allocation

2.1. The proposed strategic asset allocation for the investment strategy is as follows:

Asset type		**Allocation**	**Gross expected return**
Core liquidity: managed with a weighted average life of ≤ 90 days	Overnight liquidity	10%	SONIA
	Short-term senior unsecured debt	45%	SONIA
Medium-term: weighted average life ≤ 3.5 years	Senior residential mortgage-backed securities (RMBS)	35%	SONIA + 25bps
Long-term core balance	Other strategic investments	10%	SONIA + 400bps
Total		**100%**	**SONIA + 49bps**

Note: SONIA is the Sterling Overnight Index Average rate.

2.2. LTLF has the following objectives and risk profile:

Security of Capital

The portfolio 95% VaR (value at risk) should not exceed 2%. VaR calculations and their underlying assumptions will be assessed at least semi-annually with regard to appropriate professional advice.

Liquidity

LTLF aims to meet all properly constituted withdrawal requests from its Limited Partners.

Yield

LTLF targets a net return of at least SONIA + 40 bps over a rolling three-year period.

3. Counterparty and Investment Limits

3.1. Table 1 sets out the range of specified and non-specified investments permitted by LTLF. The following key applies:

S = Specified (These are sterling investments with high credit quality and a maturity period of not more than 365 days, or those which could be for a longer period but where the lender has the right to be repaid within 365 days if it wishes. These are low risk assets where the possibility of loss of principal or investment income is negligible. The instruments and credit criteria to be used are set out in the table below.)

NS = Non-Specified (Non-specified investments are any other type of investment. They normally offer the prospect of higher returns but carry a higher risk.)

NS* = Non-Specified, only used under delegation to a professional manager properly authorised under the Financial Services and Markets Act 2000.

3.2. LTLF will make best efforts to maintain at least 50% of all investments (or underlying investments) in the form of Specified Investments.

Table 1

Investment type	Eligibility criteria	≤ 1 year to maturity at time of investment	> 1 year to maturity at time of investment	Maximum total exposure as a proportion of forecast daily balance
Senior Unsecured Debt, e.g. • **Deposits** • **Call Accounts** • **Notice Accounts** • **Certificates of Deposit** • **Loans** • **Commercial Paper** • **UK Gilts and T-Bills** • **All other senior unsecured bonds**	Issuer (and security where separately rated) Investment Grade (IG) defined per **Table 3** OR UK Government (including the Debt Management Account Deposit Facility, Local Authorities and bodies eligible for PWLB finance) OR Issuer not meeting general criteria but instruments explicitly guaranteed by IG entity or sovereign national government meeting acceptable sovereign ratings per **Table 2**	S	NS	Aggregate 100%, individual limits determined by tables
Money Market Funds	Fitch AAA_{mmf} or above See **Table 3** for equivalents from other agencies Daily liquidity	S	*N/A*	100% Not more than 20% per fund
Other Collective Investment Schemes e.g. Enhanced Cash Funds	Fitch AAA_{f} or equivalent from other agencies per **Table 3**	NS	*N/A*	20%

Investment type	Eligibility criteria	≤ 1 year to maturity at time of investment	> 1 year to maturity at time of investment	Maximum total exposure as a proportion of forecast daily balance
Senior UK Prime or Buy-to-Let Residential Mortgage-Backed Securities (RMBS)	Bond rating Fitch $AA+_{sf}$ or above or equivalent from other agencies per **Table 3**	NS*	NS*	35%
Covered Bonds	Bond rating Fitch $AA+_{sf}$ or equivalent from other agencies per **Table 3** AND Issuer rated Fitch A- or above or equivalent from other agencies per **Table 3**	NS*	NS*	20%
Repurchase Agreements (Repo)	Counterparty meets senior unsecured criteria AND proposed collateral (Min 100%) itself meets permitted investment criteria OR Collateralisation is >102% with UK Gilts / T-Bills	S* – UK gilts or T-Bills AND counterparty meets senior unsecured criteria NS* – other	*Not permitted*	S – 100% NS – 20%, and not more than 10% with counterparties not meeting senior unsecured criteria
Other Strategic Investments	See **Section 5**	NS*	NS*	10%

3.3. LTLF will forecast average daily balances for the year ahead based on forecasts received from its Limited Partners and translate the above percentage limits into cash limits to be used by itself and supplied to any portfolio managers. LTLF will calculate such limits on a quarterly basis at minimum, providing revised limits if the forecast average balance changes by more than 20%.

4. Credit Ratings and Country Limits

4.1. Maximum direct exposures to non-UK financial institutions apply by country, based on the relevant sovereign ratings outlined in the table below:

Table 2 – Country Limits

Max. Aggregate Exposure (%)	Fitch Sovereign Rating	S&P Sovereign Rating	Moody's Sovereign Rating
25	AAA	AAA	Aaa
15	AA+	AA+	Aa1
5	A	A	A

Note: for non-UK, non-financial institutions, or in circumstances such as an instrument being issued through a subsidiary domiciled in one country but guaranteed or otherwise secured by a parent in another, the risks and appropriate country limit (if any, in the case of multinational corporations) in which to aggregate the exposure will be considered on a case-by-case basis and determined by the Chief Investment Officer of London Treasury Limited (LTL) or relevant portfolio manager.

4.2. Table 3 sets out the range of investment grade ratings used by LTLF and its portfolio managers.

Table 3 – Permitted Credit Ratings and Equivalence Mappings

<table>
<tr><th colspan="6">Issuer and/or Senior Unsecured Bond Ratings</th></tr>
<tr><th colspan="3">Long-term</th><th colspan="3">Short-term</th></tr>
<tr><th>Fitch</th><th>Moody’s</th><th>S&P</th><th>Fitch</th><th>Moody’s</th><th>S&P</th></tr>
<tr><td>AAA</td><td>Aaa</td><td>AAA</td><td></td><td></td><td></td></tr>
<tr><td>AA+</td><td>Aa1</td><td>AA+</td><td></td><td></td><td></td></tr>
<tr><td>AA</td><td>Aa2</td><td>AA</td><td>F1+</td><td>P-1</td><td>A-1+</td></tr>
<tr><td>AA-</td><td>Aa3</td><td>AA-</td><td></td><td></td><td></td></tr>
<tr><td>A+</td><td>A1</td><td>A+</td><td></td><td></td><td></td></tr>
<tr><td>A</td><td>A2</td><td>A</td><td>F1</td><td>P-1</td><td>A-1</td></tr>
<tr><td>A-</td><td>A3</td><td>A-</td><td></td><td></td><td></td></tr>
<tr><td>BBB+</td><td>Baa1</td><td>BBB+</td><td></td><td></td><td></td></tr>
<tr><td>BBB</td><td>Baa2</td><td>BBB</td><td>F2</td><td>P-2</td><td>A-2</td></tr>
<tr><th colspan="6">Structured Finance Ratings</th></tr>
<tr><th colspan="2">Fitch</th><th colspan="2">Moody’s</th><th colspan="2">S&P</th></tr>
<tr><td colspan="2">AAA$_{sf}$</td><td colspan="2">Aaa (sf)</td><td colspan="2">AAA (sf)</td></tr>
<tr><td colspan="2">AA+$_{sf}$</td><td colspan="2">Aa1(sf)</td><td colspan="2">AA+ (sf)</td></tr>
<tr><th colspan="6">Money Market Fund Ratings</th></tr>
<tr><th colspan="2">Fitch</th><th colspan="2">Moody’s</th><th colspan="2">S&P</th></tr>
<tr><td colspan="2">AAA$_{mmf}$</td><td colspan="2">Aaa-mf</td><td colspan="2">AAAm</td></tr>
<tr><th colspan="6">Other Permitted Fund Ratings</th></tr>
<tr><th colspan="2">Fitch</th><th colspan="2">Moody’s</th><th colspan="2">S&P</th></tr>
<tr><td colspan="2">AAA$_{f}$</td><td colspan="2">Aaa-bf</td><td colspan="2">AAAf</td></tr>
</table>

4.3. For core liquidity investments, lower ratings are balanced by higher ones in order to maintain a credit risk on rated instruments that is no greater than a 12-month deposit with an AA- institution. This is determined by assigning a credit factor to each rated investment per Table 4 and calculating a weighted average portfolio credit factor (PCF). This must remain below 5 and no single instrument may exceed 10.

Table 4 – Credit Factors

Credit Factors based on Issuer Default Rating (Fitch and Fitch Equivalents) Use instrument rating or if not rated, rating of Issuer									
Days	AAA	AA+	AA	AA–	A+	A	A–	BBB+	BBB
O/N	0.01	0.01	0.01	0.01	0.02	0.03	0.04	0.07	0.10
2-7	0.02	0.04	0.06	0.10	0.15	0.20	0.30	0.50	0.80
8-30	0.10	0.15	0.25	0.40	0.60	0.75	1.30	2.10	3.50
31-60	0.20	0.30	0.50	0.80	1.20	1.50	2.60	4.20	7.00
61-90	0.25	0.50	0.75	1.25	1.50	2.50	5.00	7.50	10.00
91-120	0.35	0.65	1.00	1.50	2.30	3.30	6.60	10.00	13.50
121-150	0.40	0.80	1.25	2.10	2.90	4.20	8.30	12.50	16.50
151-180	0.50	1.00	1.50	2.50	3.50	5.00	10.00	15.00	20.00
181-210	0.60	1.20	1.75	3.00	4.00	5.80	11.70	17.50	23.50
211-240	0.70	1.30	2.00	3.30	4.70	6.60	13.30	20.00	27.00
241-270	0.75	1.50	2.25	3.75	5.25	7.50	15.00	22.50	30.00
271-300	0.80	1.70	2.50	4.20	5.80	8.30	16.70	25.00	33.50
301-330	0.90	1.85	2.75	4.60	6.50	9.20	18.50	27.50	37.00
331-397	1.00	2.00	3.00	5.00	7.00	10.00	20.00	30.00	40.00
398-730	2.70	5.30	8.00	13.00	19.00	27.00	43.00	69.00	106.00

4.4. For the purposes of the above, UK Government (including the Debt Management Account Deposit Facility, Local Authorities and bodies eligible for PWLB finance) securities are treated as the long-term UK sovereign rating, reflecting the UK's highly centralised and interdependent public finance regime.

4.5. Enhanced limits apply for these counterparties and institutions covered by Link Asset Services' Colour Banding Methodology:

Table 5 – Concentration Limits

Cash Exposure Limits – applied to individual counterparties		
Band	**Overnight**	**> 1 day**
UK Sovereign	100%	100%
Yellow	50%	25%
Purple	50%	20%
Orange	25%	15%
Red	25%	10%
Green	10%	5%
No Colour	5%	5%

4.6. The bands above are calculated based on a range of credit ratings data, including published rating watches and outlooks.

5. Long-Term Core Balance – Other Strategic Investments

5.1. In general terms, the other strategic investments allocation is seeking returns similar to those expected of a well-funded institutional pension fund.

Gross expected return	SONIA + 400bps

5.2. The other strategic investments allocation will be deployed on a best ideas basis across a range of asset classes, seeking investments anticipated to achieve the expected return and demonstrate a level of volatility that will keep the overall expected VaR within the limit set in Section 2.2 above.

5.3. The following limits will apply to the other strategic investments allocation:

Criteria	**Limit**
Overall expected portfolio volatility	95% VaR ≤ 2%
Concentration risk	No new other strategic investment to exceed 15% of the other strategic investments allocation at the point of commitment
Sector diversification	
Equities (private and listed)	< 50% of other strategic investments allocation
Infrastructure (equity and debt)	< 50% of other strategic investments allocation
Real estate (equity and debt)	< 50% of other strategic investments allocation
Corporate credit	< 50% of other strategic investments allocation
Other credit	< 50% of other strategic investments allocation

5.4. While the other strategic investments allocation is expected to be made up of medium to longer term investments, liquidity remains important. Open-ended funds with redemption windows and investments with clear options to exit will be favoured over more illiquid fund structures.

Investments capable of redemption or sale on a recognised market within 12 months	> 33% of other strategic investments allocation

5.5. LTL may seek the approval of the Alternative Investment Fund Manager (AIFM) and the Limited Partners' Advisory Committee (LPAC) of LTLF in relation to new investment opportunities under the other strategic investments allocation, where such new investment opportunities are in a new fund or in a new product (the Reserved Investment Decisions).

5.6. Investments denominated in foreign currency may be made under the other strategic investments allocation, provided that such investments are hedged into sterling within the investment itself or with an overlay, with the related terms and level of hedging to be determined by LTLF after consultation with the LPAC.

6. Investment Limit Exceptions

6.1. Any active exception (i.e. an exception due to an action by a portfolio manager) to the investment limits set out in the investment strategy requires the prior approval of the AIFM and the LPAC.

6.2. Where passive exceptions (i.e. exceptions due to changes in the value of the portfolio) to the investment limits set out in the investment strategy occur, they will be reported to the Investment Committee of LTL and to the AIFM. Any rebalancing of the portfolio in the event of passive exceptions will be at the discretion of the Chief Investment Officer of LTL.

7. Environmental Social Governance (ESG)

7.1. LTLF's investment portfolio will be managed in accordance with the GLA Group Responsible Investment Framework.

GLA Group Responsible Investment Policy

1. Introduction

1.1 This document sets out the GLA Group's ("Group") Responsible Investment ("RI") Policy ("Policy"), including our practices and approaches to investing responsibly, as well as the principle that guides them. The Policy primarily applies to investments that will fulfil our short, medium and long-term investment objectives. However, the Policy could also apply to discrete investments in special projects or developments outside these investment objectives.

1.2 For the purpose of this Policy, RI means incorporating environmental, social and governance (ESG) considerations into investment decision-making processes. The Group believes that ESG factors, and especially those linked to climate change, can have an impact on the performance of our investments, and so the overall aim of this Policy is the management of associated ESG risks, while seeking to maximise positive impact.

1.3 The Mayor of London declared a climate emergency for London and brought forward London's net zero target from 2050 to 2030. The Group is committed to this target and will lead by example to reduce our own impact on climate change. For instance, as part of the recent Group's budget setting process, a 'climate budget' component was included that outlined the activities and funding required to get the Group to net zero.

2. Principles

2.1 In developing this statement, a number of ESG areas on RI were considered, including the themes outlined by the UN Sustainable Development Goals and the Principles for Responsible Investment (PRI) six principles, as set out below.

- **Principle 1:** incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3:** seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** report on our activities and progress towards implementing the Principles.

2.2 These have informed the principles that will guide our approach:

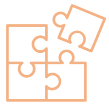
Responsible investing can contribute to long-term value – a growing body of academic research demonstrates that sound ESG practices can enhance corporate financial performance in the long term. This value can manifest itself in the form of better operational performance, reduced reputational risks and, in turn, potentially superior long-term returns on investments.

Positive impact – while investment priority is given to security, liquidity and then yield, our overall aim is to achieve these, as well as positive social and environmental outcomes for London and Londoners, while avoiding negative impacts.

Integrating ESG factors can help uncover opportunities – we believe that focusing solely on financial metrics may lead to overlooking opportunities. By considering ESG factors in investment decisions where relevant, we strive to deliver more sustainable investment outcomes and long-term performance.

3. Responsible Investment Approach: Three Key Pillars

3.1 Our RI approach consists of three pillars: ESG Integration, Thematic Investment and Engagement, as outlined below.

	**ESG Integration**	explicitly and systematically including ESG factors in investment analysis and decisions.
	**Thematic Investment**	seeking to combine attractive risk return profiles with an intention to contribute to a specific environmental or social outcome.
	**Engagement**	discussing ESG factors with counterparties to improve their handling, including disclosure, of such factors.

3.2 The Policy recognises the distinction between direct and indirect investments, considering the different approach required for each as set out in the table below.

<table>
<tr><td>ESG Integration</td><td rowspan="2">Direct (Strategic) Investments</td></tr>
<tr><td>Thematic Investment</td></tr>
<tr><td>Engagement</td><td>Indirect Investments</td></tr>
</table>

<u>Direct (Strategic) Investments – ESG Integration</u>

3.3 Direct investments involve any direct company, fund or project investments through debt instruments or private equity holdings. As such, this element of the Group's investments presents the best opportunity to incorporate ESG factors in the investment assessment and decision-making processes. ESG factors that could be incorporated, under the integration approach, will include:

- **Environmental**: emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact.
- **Social**: human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impacts, diversity and inclusion.
- **Governance**: management structure, governance structure, group structure, financial transparency.

<u>Direct (Strategic) Investments – Thematic Investment</u>

3.4 Through this approach, the Group can pursue financial returns alongside measurable positive environment and/or social impact. This will be an important approach for making investment under the long-term strategic mandate.

3.5 The ambitious net zero target for London will provide greater opportunity for the Group's direct investment strategy to support the low carbon transition and adaptation, by investing in activities that make a positive impact in tackling climate change, such as renewable energy, energy efficiency, electric vehicles and associated infrastructure.

3.6 Also, the Group will seek to achieve attractive risk return profiles through investments in small businesses (e.g. through investment funds) and/or social infrastructure that will provide wider socio-economic benefits for London.

Indirect Investments – Engagement

3.7 Indirect investments make up the majority of the Group's portfolio and include a variety of cash accounts, money market, treasury and mortgage-backed assets. By nature, these investments provide little opportunity for direct engagement with the ultimate recipients as composition is managed externally through pre-approved counterparties. As a result, the Group will manage exposure to ESG risks through engagement with these counterparties. The need for engagement will be determined through internal assessments, which will be aided using, among other tools, the Transition Pathway Initiative tool (TPI), where applicable. The TPI scores financial institutions across 6 key areas:

(i) *Commitment*: whether or not the entity has commitments to achieving net zero emissions from its financed emissions by 2050 or sooner, consistent with a 1.5°C scenario
(ii) *Targets*: whether or not the entity has targets for reducing emissions that is aligned with a 1.5°C scenario
(iii) *Decarbonisation strategy*: whether or not the entity discloses engagement activities on climate related matters
(iv) *Climate policy engagement*: whether or not the entity engages in lobbying/policy efforts in line with the objectives of the Paris Agreement
(v) *Climate governance*: whether or not the entity has nominated a board member or board committee with explicit oversight over climate change policies
(vi) *Audit and accounts*: whether or not the entity audited financial statements incorporate climate-related matters

Engagement with Credit Rating Agencies

3.8 The Group recognises the 'ESG in credit risk and ratings statement' published by PRI. By signing the statement, credit rating agencies commit to incorporating ESG into their credit ratings and analysis in a systematic and transparent way. The Group will engage with any agencies it works with by encouraging them to sign up, if they are not already signatories.

Exclusion

3.9 The Group wishes to avoid new active investments in companies that are paying little or no attention to climate change related risks and/or cannot demonstrate that they are planning for the global transition to a low carbon economy, including future emissions reduction targets under the Paris Agreement. The Mayor signed the ‘Fossil Fuel Non-Proliferation Treaty’, promoting a shift away from fossil fuels and towards renewable energy sources, and as a result, the Group will not invest in fossil fuel companies with substantial activities in the extraction of coal, oil and natural gas as sources of energy.

3.10 The Group will not invest with organisations with substantial ultimate beneficial ownership in the Russian Federation, or any similarly sanctioned country.

4. Monitoring and Reporting

4.1 To provide transparency and track overall progress on ESG related matters, the Group will work with London Treasury Limited (LTL), the GLA’s investment management subsidiary, to develop monitoring and reporting arrangements for this Policy. As part of this, the Group will continue to evaluate additional ESG related metrics and assessment processes that it could incorporate into the investment process and will update the Policy accordingly.

Appendix 5

Draft London Green Financing Framework
V3.0
03/04/2023

(this draft has not yet had a Second-Party Opinion and may be amended before or after such a review)

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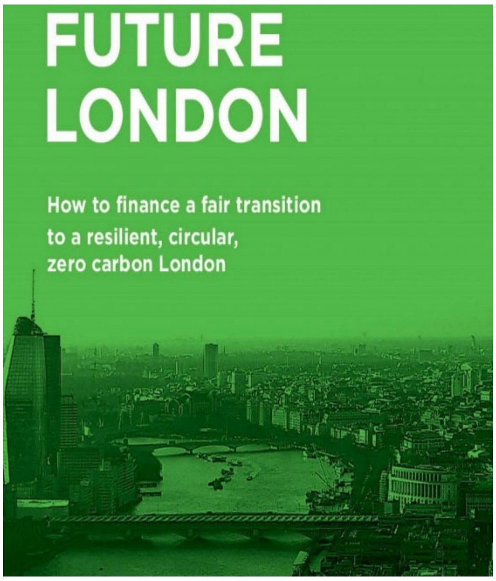
Section 1: Overview & Strategy

1.1: Rationale for a London Green Financing Framework

The London Green Financing Framework ("Framework") describes how the Greater London Authority ("GLA") will finance expenditure that is critical to tackling the climate crisis and other environmental challenges, through the issuance of green bonds. All proceeds issued under the Framework will support the Mayor's carbon reduction and environmental goals.

The Framework provides investors and stakeholders with assurance that funds will be allocated to robustly evaluated environmentally sustainable activities. It defines the projects eligible for financing with bond proceeds under the Framework and outlines the process used to identify, select, and report on eligible projects, as well as arrangements for managing the proceeds.

The Framework aligns with the Green Bond Principles as published by the International Capital Market Association ("ICMA").



1.2: About the GLA

The GLA was established in 2000 and is the democratically elected strategic authority for London. It serves a population of almost 9 million people and consists of two distinct branches: the Mayor of London, Sadiq Khan, and the London Assembly.

The Mayor has an executive role, providing citywide leadership and creating policies to ensure London is a better place for anyone who visits, lives, or works in the city.

The London Assembly consists of 25 members who are elected by Londoners and are responsible for holding the Mayor to account. The Assembly works closely with the Mayor, having the opportunity to publicly examine policies the Mayor wished to implement, through various forums such as committee meetings, plenary sessions, site visits and investigations.

The Mayor produces strategies and defines clear policies on a range of issues (including air quality, spatial development, culture and tourism, economic development, transport and waste) and sets an annual budget - for the GLA (including the London Assembly) and its five functional bodies (together known as the "GLA Group") - to help achieve these strategies. The functional bodies are:

1) **Transport for London,** the integrated transport authority, responsible for running most of the capital's transport network.

2) **The Mayor's Office for Policing and Crime,** which oversees the work of the Metropolitan Police Service – setting the priorities for policing and community safety in London.

3) **The London Fire Commissioner**- with responsibility for providing London's fire and rescue service.

4) **The London Legacy Development Corporation -** is responsible for delivering the legacy of the London 2012 Olympic Games by further developing the Queen Elizabeth Olympic Park.

5) **The Old Oak and Park Royal Development Corporation**, which manages the regeneration of the Old Oak opportunity area, spanning land in the three London Boroughs - Ealing, Brent and Hammersmith & Fulham.




1.3: London Net Zero 2030: An Updated Pathway

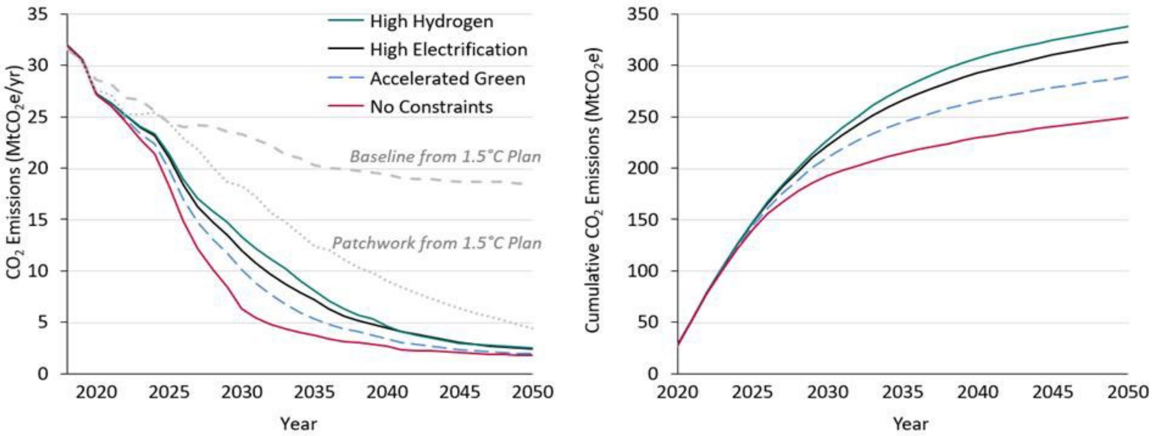
London’s environment connects every aspect of life in the city. The state of London’s environment affects everyone who lives in and visits the city and so, in 2018, the Mayor published an integrated environment strategy with an ambitious vision of improving London’s environment for the benefit of all Londoners. This meant cutting harmful emissions, protecting the Green Belt and our green spaces and preparing London to respond to the effects of climate change.

The environment strategy also outlined the Mayor’s aspiration to turn London into a zero carbon city by 2050 and, alongside the 1.5°C Climate Action Plan, outlined the pathways, policies and actions needed to achieve this goal. Since then, the science has shown that we urgently need to reduce our carbon emissions even faster. As a result, the Mayor declared a climate emergency for London and brought forward London’s net zero target from 2050 to 2030.

Climate change is increasing the frequency and intensity of extreme weather. In 2022, London experienced record temperatures and heatwaves leading to the Fire Brigade's busiest day since World War II. London also experienced drought, with many months of below average rainfall and the driest ever July since records began in 1885 (with 1% of average July rainfall). The dry conditions and heavy rainfall events in 2021 led to two serious flash flooding incidents in London, closing parts of the transport network, flooding schools and hospitals, homes and businesses.

To support the Mayor’s ambition of achieving net zero by 2030, the GLA commissioned Element Energy to analyse possible pathways for London to reach net zero more quickly. Their report ‘Analysis of a Net Zero 2030 Target for Greater London’[1] explored four possible pathways that London could take as illustrated below.

[1] Element Energy (2022), Analysis of a Net Zero 2030 Target for Greater London. Available at: https://www.london.gov.uk/what-we-do/environment/climate-change/zero-carbon-london/pathways-net-zero-carbon-2030



Annual (left) and cumulative (right) emissions over time for each scenario; Baseline from 1.5°C Plan included in annual emissions graph for comparison. Source: Element Energy Report (2022)

Of the four pathways modelled to achieve net zero, the Mayor's preferred option is the Accelerated Green pathway[2], which balances urgency, ambition, social justice and deliverability. Delivering on this pathway will be challenging and requires co-ordinated action. The Mayor is committed to working with national government, local boroughs, London's businesses, non-governmental organisations, our European neighbours and individual Londoners to achieve this goal.

The Element Energy report highlighted the need for a huge acceleration in the pace and scale of actions required to realise the 2030 ambition. For instance, the Accelerated Green pathway estimates the need for:

- Nearly 40 per cent reduction in the total heat demand of our buildings, requiring over 200,000 homes to be retrofitted each year
- 2.2 million heat pumps in operation in London by 2030
- 27 per cent reduction in car vehicle km travelled by 2030

By comparison, in the 1.5°C Climate Action Plan, the figures were 160,000 homes by mid-2020's, 900,000 heat pumps and 12 per cent reduction in car vehicle km travelled, to be achieved by 2030.

Taking action to tackle London's carbon emissions will require substantial investments in capital infrastructure across our buildings, energy networks and transport systems. The Accelerated Green scenario requires at least £75 billion of investment between now and 2030 in infrastructure and £108 billion in total to 2050. Infrastructure investment continues after 2030 and takes account of natural replacement cycles, the continued rollout of low carbon heating solutions, retrofit and electric vehicle charging to support the growing electric vehicle (EV) fleet.

The infrastructure investment will not solely be borne by London's government or the public purse. Delivery of the net zero ambition will require the GLA to work with local and national government, utilities, business, finance institutions and Londoners to find the right funding mechanisms to support the infrastructure that is needed.

1.4: Green Finance Fund

The scale and speed of activity required to hit London's net zero 2030 target means that ever greater levels of financing will be needed. The current approach to decarbonisation is heavily reliant on public funding; however achieving this transition will require significant investment from the private sector. The Mayor has an important role to play in creating the enabling environment that allows collaboration between public and private sector investors, for London to meet its net zero goal.

[2] London Net Zero 2030: An Updated Pathway - www.london.gov.uk/sites/default/files/london_net_zero_2030_-_an_updated_pathway_-_gla_response_1.pdf

In line with the recommendations of the Green Finance Institute, the Mayor will establish an internally manged facility called the Green Finance Fund (GFF)[3]. It will be administered by London Treasury Limited ("LTL"), the GLA's investment and treasury management subsidiary, which is authorised and regulated by the Financial Conduct Authority (FCA). The proceeds raised by [name SPV] pursuant to a green bond issuance under the Framework will be deployed via the GFF and allocated to eligible projects of the GLA Group as well as strategic public sector partners across London, to support capital investment in their decarbonising and environmental projects.

1.5: Alignment with UN Sustainable Development Goals ("SDGs")

The SDGs were developed in 2015 as a set of 17 global goals to achieve a more sustainable and resilient future. The SDGs have become the dominant framework for impact investing, with a growing number of investors seeking to align activities around the goals.

The ICMA has published a high-level mapping of how projects falling under its various green project categories can align with the SDGs. The GLA will use this high-level mapping as a guide to its reporting on the use of green bond proceeds against the SDGs.

[3] The GFF will *not* be established as a legal entity.

Section 2: London Green Financing Framework

2.1: Framework Overview

The Framework aligns with the following principles published by the ICMA and Loan Market Association ("LMA") for the issuance of green finance debt instruments:

- The Green Bond Principles – June 2021 ("GBP")[4]
- The Green Loan Principles – February 2021 ("GLP")[5]
  (being together the "Principles").

The Framework applies the four core components of the Principles as its basis, being:
- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

2.1.1: Use of Proceeds

An amount equivalent to the net proceeds raised pursuant to this Framework will be exclusively applied to finance, or refinance, in part, or in full, new or existing, eligible green projects (the "Eligible Projects") that fall within the eligible green project categories defined below. The distribution between new financing and refinancing will be reported on in annual Green Bond Impact Report.

For the purposes of this Framework, the GLA's aims and associated environmental strategies align with the high-level Climate Change Mitigation environmental objective of the GBP and the following Green Project Categories: Renewable Energy, Energy Efficiency and Clean Transportation.

Dependent on the nature of the project, the investment in the Eligible Projects can be measured through asset value (refinancing existing assets) or capital expenditure ("Capex"). For capital expenditures, a look-back period of up to 36 months prior to the time of debt issuance will be applied. The GLA intends to allocate the net proceeds (or an amount equivalent to the net proceeds) raised according to this Framework to Eligible Projects within 24 months of issuance.

[4] Green-Bond-Principles-June-2021-140621.pdf (icmagroup.org)
[5] Green_Loan_Principles_Feb2021_V04.pdf (lma.eu.com)

Eligible Green Project Categories:

Eligible Green Project Categories and Indicative Alignment to the SDGs	Description	Core Indicators	Other Indicators
Renewable Energy  	Financing investments to decarbonise and increase flexibility of the energy system. Investments will be dedicated to generation, transmission and distribution and storage of energy, from renewable and secondary or waste heat sources [operating at lifecycle emissions of less than 100gCO_2e /kWh]. This category includes schemes that contribute to the decarbonisation and flexibility of the energy system. Investments will also be available for the utilisation of secondary or waste heat sources, often in conjunction with heat pumps, in district heat networks, system level storage and demand management or flexibility services. Biomass for combustion is not included.	Annual greenhouse gas emissions (GHG) reduced and/or avoided in tonnes of CO_2 equivalent Installed renewable energy capacity (MW) Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy saving)	Number of heat network supported Installed storage capacity in kW/MW
Energy Efficiency  	Financing investments that improve energy efficiency in existing buildings to improve the EPC ratings with the aim of helping London's buildings get to an average EPC B rating. Expectations will be to improve buildings: - by a minimum of one and preferably by two EPC bands - to uplift the energy efficiency score (or reduce consumption) of a building by at least 30%, or - to get to a 'good practice' Energy Utilisation Index (EUI measured in kWh/m2) for the building according to its typology.	Annual (GHG) emissions reduced/avoided in tonnes of CO_2 equivalent Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings)	Percentage reduction in building/portfolio energy demand compared to pre-intervention baseline Pre- and post-intervention Energy Utilisation Index (EUI) for building/portfolio in kWh/m2

	This also includes investments that: • enable monitoring and optimisation of the amount and timing of energy consumption such as smart meters, load control systems, sensors or building information systems • reduce losses in the delivery of bulk energy services or enhance integration of intermittent renewables such as energy storage, smart grids, demand response • upgrading street lighting to LED lighting		
Clean Transportation	Finance investments in low-carbon transport projects, such as: • operations that reduce emissions (both GHG and pollutants) of vehicles or the transport system (for example ultra-low emission zones) • zero direct emission vehicles (including public transport and electric vehicles) and associated infrastructure (example electric vehicle charging points) • infrastructure to support expansion of active travel modes and options, specifically walking and cycling infrastructure.	Annual (GHG) emissions reduced/avoided in tonnes of CO_2 equivalent Reduction of air pollutants such as particulate matter (PM), sulphur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs)	Number of charging points installed. Number and size of upgrades to the electricity network to support charging infrastructure. Km of paths for walking Km of paths for cycling

Exclusion Criteria:

Fossil fuel boilers
Energy from Waste Infrastructure
Brown, Black or Blue hydrogen
Vehicles powered through fossil fuel combustion and ethanol

2.1.2: Process for Project Evaluation and Selection

Criteria	Detail
Eligible Organisations	GLA Group, London local authorities, Social Housing Providers, NHS bodies, Universities, and Colleges.
ICMA Green Project Category	Involve at least one of the following green project categories: renewable energy, energy efficiency and/or clean transportation
ICMA Core Indicators:	Projects must deliver against at least one core indicator
Minimum loan Size	£1m (Eligible organisations are encouraged to aggregate measures into a single project)
Use of Funding	For capital expenditure
Project Timescale	Procurement starting within 6 months of finance allocation, construction within 18 – 21 months, and operational within 3 years++
Exclusion	Projects that do environmental harm, replacement of fossil fuel boilers, waste incineration, blue hydrogen, and vehicles powered through fossil fuel combustion and ethanol.
++Where projects are delivered in phases, at least the first phase should be completely within this	

The process to evaluate, select and allocate green bond proceeds under the Framework will be administered by LTL. This will be done through the following steps:

(i) potential projects will be screened to ensure compliance with the GFF's gateway selection criteria and the Framework. All projects submitted for approval will identify and quantify the expected outputs and outcomes, in line with the Use of Proceeds criteria for this Framework.

(ii) suitable projects will be submitted to the GLA's Green Finance Steering Committee to confirm they have no objections to those that will go forward for detailed assessment.

(iii) Eligible Projects will undergo detailed assessment before being recommended to the GFF Credit Committee.

(iv) The GFF Credit Committee is solely responsible for approving Eligible Projects for financing. Decisions to allocate finance will require a consensus decision by the Credit Committee and will be documented and filed.

Members of the Credit Committee shall consist of the following GLA officers:

- Executive Director of Resources, who will chair the Credit Committee
- Executive Director, Good Growth
- Chief Investment Officer
- Assistant Director, Environment and Energy

In addition, the committee will include at least two independent members, with relevant experience and expertise.

The terms of reference for the GFF Credit Committee are outlined at Annex A.

2.1.3: Management of Proceeds

In order to ensure that proceeds relating to Eligible Projects (in part or in full) will be managed and monitored under this Framework, the GLA will make it a requirement for project sponsors to provide regular reports on Eligible Project implementation (including application of proceeds) and achievement of impacts.

For each Eligible Project we will track as a minimum:

- a brief description of the project
- the amount allocated to the project
- the expected impact of the project
- progress on implementation

Unallocated proceeds issued under the Framework will be held as cash deposits or in sterling denominated money market funds in line with GLA's treasury management policy.

Amounts equivalent to the net proceeds issued under this Framework will be used to finance or refinance, in part or in full, new or existing Eligible Projects. Where the net proceeds are utilised for the construction or renovation of Eligible Projects, these will be originated within 36 months prior to, or 24 months after the specific debt instrument proceeds are received.

If an asset is no longer eligible under the criteria included in section 2.1.1, it will be removed from the Eligible Project portfolio. In such a scenario, we will strive to replace the asset with another Eligible Project as soon as reasonably practicable.

2.1.4: Reporting

The GLA will annually, and until full allocation of the Green Finance debt instrument, publish a Green Bond Impact Report on its website, www.london.gov.uk. The report will cover, amongst other things, the following:

Allocation Reporting

- Net proceeds outstanding from the Green Financing
- Amount of proceeds allocated to Eligible Projects
- Amount of unallocated proceeds (if any)
- A complete list of Eligible Projects financed

Impact Reporting

In addition to reporting on our broader initiatives and the delivery of our objectives in our annual Green Bond Impact Report, we will publish metrics (in line with those referenced in the Eligible Projects table on page 9).

2.2 External Review

SPO [x] has been appointed to confirm the alignment of the Framework to the Principles. SPO [x] has provided a Second Party Opinion on this Framework.

A link to the Second Party Opinion is available at [x]

2.3 Updates to Framework

The Credit Committee will review this Framework on a regular basis, including its alignment to updated versions of the Principles as and when they are released with the aim of adhering to best practices in the market. The Framework may also be reviewed against any green taxonomy developed by the UK government.

The Framework may be amended from time to time to take account of these updates or other changes that the GLA considers appropriate for tackling climate change and associated environmental issues. If not minor in nature, amendments will be subject to the prior approval of an external review provider. The GLA commits to keeping or improving the current levels of transparency and reporting disclosures in any future updated version of this Framework.

Any updates to the Framework, will be published on the GLA's website and will replace this Framework unless otherwise indicated.

Section 3: Case Studies

3.1 Case Studies

The following are case studies of projects supported by the Mayor of London Energy Efficiency Fund and illustrates the types of projects that could be supported under this Framework.

1. **Meridian Water Heat Network to supply over 10,000 new homes and businesses with low carbon heat and hot water**

The Meridian Water Heat Network is part of a £6 billion regeneration programme led by Enfield Council. The communal heat network replaces local energy generation by supplying heat and hot water through a network of new pipes. This method of energy supply is a proven technology to help reduce the amount of carbon emissions generated in heating London's homes.

The Network is forecast to save nearly 5,000 tonnes of carbon dioxide per year compared to gas-fired heating once it starts receiving the waste heat from the Edmonton Energy Recovery Facility at the North London Waste Authority EcoPark from 2026 onwards.

SDGs Supported

2. **Retrofit of the former EMD/Granada Cinema**

Funding was provided to the London Borough of Waltham Forest to finance the retrofit of energy efficiency measures within the former Granada/ EMD Cinema, on Hoe Street in Waltham Forest.

The Council, which acquired the former Granada / EMD Cinema in 2019, is in the process of converting it into a theatre whilst preserving the unique heritage of the area. The funded measures will reduce the energy consumption of the building compared to a baseline by 68% and the Council's CO_2 consumption by 387 tonnes per annum.

The energy conservation measures include air source heat pumps, a building fabric upgrade, new lighting and controls, a building management system and roof top solar photovoltaics.

SDGs Supported

3. Low carbon streetlighting to help the Borough meet its Climate Emergency Declaration

This project involved the upgrade of circa. 11,000 LED streetlights for the London Borough of Richmond upon Thames. The new LED street lights will be monitored by the Council's computer management software and will have much lower running costs, using up to 60% per cent less energy than a conventional sodium street light.

The roll out is estimated to save annually 1,185 tonnes of carbon, the equivalent to taking over 1000 cars off the road. The Project is estimated to save the council £440k per year in energy costs.

The LED street lights will have a colour rendition that provides the optimum ability to reduce the lighting levels at night time and they are designed to produce the same lighting levels as the existing bulbs. The new lights also have an average design life of 25 years, compared to about 6 years for traditional bulbs.

SDGs Supported

4. Innovative retrofit of district heating scheme with water source heat pumps

The project involved the installation of Water Source Heat Pumps ('WSHP') to replace existing gas boilers, across three council housing estates. The intention is to use the water from the London aquifer and use the WSHP technology to take the naturally heated water to the temperatures required for the district heat network requirements.

The Heat Pumps will use heat from aquifer water which will be extracted from newly drilled boreholes and installed wellheads. This has significant green credentials as it is a renewable form of heating.

The scheme provides heat to 2,175 households and has forecast to save 1,774 tonnes of CO2 per annum.

SDGs Supported

5. Low-carbon infrastructure to support the new extension at the Tate Modern

Through combining retrofit activities and a pioneering design to link the energy systems of the site's new and old sections, the Tate Modern was able to increase its gallery space by 60% without increasing its carbon footprint and become overall 'carbon neutral'.

Energy Conservation Measures included: Pioneering transformer waste heat recovery; River Thames bore-hole water cooling; Passive measures to building fabric; 'Gallery standard' lighting and controls.

SDGs Supported

Annex A - GFF Credit Committee Terms of Reference

Green Finance Fund Credit Committee

Terms of Reference

1. Introduction

1.1 The Mayor has committed to making London a net zero-carbon city by 2030. To support this ambition and his wider environmental goals, the Mayor will make finance available, through a Green Finance Fund (GFF), to accelerate investment into green projects for the GLA Group and strategic partners across London.

1.2 Finance from the GFF will be provided in the form of loans of up to 25 years, to support the capital investment in carbon reduction and environmental projects (which could include several discrete components). Support may also be provided to subsidise the financing costs for projects that will deliver essential environmental benefits but need an element of bridging finance in early years or do not deliver the cost savings or other revenues to fund their own payback.

1.3 The financing for GFF will initially come from GLA's own cash resources. However, subject to favourable bond market conditions, the GLA will launch a green bond programme, with the proceeds being used to refinance any initial commitments made from the GFF. Further bond issuance under the programme would finance any new projects identified, on a rolling annual basis.

1.4 One requirement of green bonds is that they are issued under a third-party approved green framework. Consequently, projects supported by the GFF will need to fall within the scope of the Green Bond Framework ("Framework") under which the GFF will operate.

1.5 The GLA's arms-length, regulated subsidiary London Treasury Limited (LTL) will be responsible for the overall operation of the GFF. This will include evaluating eligible proposals for support. The Credit Committee has been established to exercise delegated authority from the Mayor to enable GFF investments. Specifically, the Credit Committee will carry out the functions set out in this Terms of Reference. In conducting its business, the Credit Committee must have regard to existing GLA governance.

2. Function

2.1 The Credit Committee shall perform the following duties:

- approve the final version (following Second Party Opinion review) and any subsequent amendment of the Framework, and ensure ongoing monitoring of its content with the intention of updating it to align to developments in the market standards referenced within it, on a best-efforts basis

- assure itself that the assessment of projects has been carried out properly by LTL, according to the agreed process

- decide on investment recommendations from LTL, ensuring that these meet the objectives of GFF and comply with the Framework

- decide on finance costs subsidy recommendations from LTL, ensuring that these are proportionate to the benefit being delivered

- ensure any project no longer complying with the Framework or which has been disposed of is excluded and replaced on a 'best-efforts' basis

- approve the terms and conditions of any investment finance and subsidy provided by GFF

- ensure there is robust documentation of the evaluation and selection process in order to facilitate all reporting required under the Framework (and any external verification if required)

- oversee the portfolio of investments, including any wider ESG risks (that is, process for the avoidance of negative environmental/social consequences of the projects), with reference to the Green Finance Steering Committee for any significant risks

- oversee the investment of net proceeds received from the issuance under the Framework

- track and report on net proceeds

- provide oversight and strategic guidance

- receive and approve progress and evaluation reports from LTL.

3. Membership

3.1 Members of the Credit Committee shall consist of the following GLA officers:

- Executive Director of Resources, who will chair the Credit Committee
- Executive Director, Good Growth
- Chief Investment Officer
- Assistant Director, Environment and Energy

3.2 In addition, the committee will include at least two independent members, with relevant experience and expertise.

4. Operation

4.1 Meetings of the committee shall be held quarterly or at such other intervals as the committee may agree. The Chair of the committee may decide to cancel meetings or call additional meetings as required.

4.2 Each meeting shall be convened by the Secretariat giving Members not less than 10 business days written notice, and papers being circulated not less than 5 days in advance. The notice (which can be via email) shall specify the place, the day and hour of the meeting and contain reasonable particulars of the matters to be discussed at the meeting.

4.3 The quorum of any meeting of the committee duly convened shall consist of either the Chair or Chief Investment Officer, the Executive Director, Good Growth or Assistant Director Environment and Energy, and at least one independent member.

4.4 Decisions or recommendations of the committee shall be adopted by consensus of Members present (for the avoidance of doubt, attendance via conference call or video call shall constitute attendance).

4.5 The Green Finance Team will provide secretariat and logistical support, take the minutes of the meeting and provide advice on governance and procedural matters.

Written Procedure

4.6 The Chair may decide that the Committee is to determine a matter before it by obtaining a decision in writing, as an alternative to holding a meeting.

4.7 All decisions taken under Written Procedure must be supported by a report on the matter to be decided, which will be sent to Members by email.

4.8 Members will send their wishes (consent, objection, or abstention) to the Secretariat in writing, including by email, no later than five working days following the date of the report. [Nil return will be taken as an abstention.]

4.9 Under exceptional circumstances, a notice period of less than five working days may be set but only with the expressed permission of the Chair.

Appendix 6 – Investment Subsidiary Budgets

Budgets for 2023-24 (£)	LONDON TREASURY LIMITED	LTLF GP LIMITED	LCIF LLP	GLIF LIMITED	SME WHOLESALE FINANCE (LONDON) LIMITED
Salaries	1,870,708	-	244,982	134,110	192,474
National Insurance	225,521	-	29,603	17,154	20,875
Pensions	219,770	-	17,850	10,058	13,051
Contractors	330,000	-	-	-	-
Training and OD	20,000	-	-	-	1,370
Personnel Costs	**2,665,999**	**-**	**292,436**	**161,322**	**227,770**
Accountancy and Payroll	15,000	3,000	-	-	989
Tax Advice	-	-	-	-	
Legal - Corporate	85,000	2,000	-	-	1,000
Legal - Investment	50,000	-	20,000	5,000	-
Investment and Risk Advice	70,000	-	-	-	-
Compliance Advice	50,000	-	-	-	-
Procurement Advice	-	-	-	-	-
Green Finance Advice	50,000	-	-	-	-
HR Advice	55,000	-	-	-	10,000
Treasury Advice	-	-	-	-	-
Rating Agency Fees	-	-	-	-	-
Bank Fees	1,000	-	230	30	230
Professional Services	**376,000**	**5,000**	**20,230**	**5,030**	**12,219**
Audit	18,000	7,000	29,385	37,238	28,913
Insurance	50,000	-	5,933	7,053	37,562
FCA Fees	20,000	-	-		1,643
Regulatory Costs	**88,000**	**7,000**	**35,318**	**44,291**	**68,118**
Marketing, Design and Communications	15,000	-	-	-	36,000
Hosted Events	10,000	-	-	-	-
Business Development	**25,000**	**-**	**-**	**-**	**36,000**
ICT	10,000	-	3,393	3,280	3,342
Data, Licences and Systems	150,000	-	-	-	-
Accommodation	105,000	-	17,480	20,976	17,480
Travel and Expenses	2,000	-	-	-	1,000
Office Supplies	1,000	-	13	13	4,257
Running Costs	**268,000**	**-**	**20,886**	**24,268**	**26,079**
Debt Financing costs	-	-	-	1,022,666	-
Administration Fees	-	-	-	236,532	1,750
External Management Fees	-	-	-	2,396,392	133,057
Fund Services	**-**	**-**	**-**	**3,655,590**	**134,807**
Costs	**3,422,999**	**12,000**	**368,870**	**3,890,502**	**504,992**
Corporation Tax	85,575	228	-	-	-
VAT Contingency	100,933	2,400	15,241	14,712	18,725
Total Costs	**3,609,508**	**14,628**	**384,111**	**3,905,214**	**523,717**
Management Fee Income	(2,158,246)	(14,628)			
Interest receipts from investments	-	-	-	(3,336,730)	-
BBB Contribution	-	-	-	-	(30,000)
Grants	-	-	(185,953)	(568,484)	132,716
Income excluding direct GLA Funding	(2,158,246)	(14,628)	(185,953)	(3,905,214)	102,716
Direct GLA funding required	**1,451,261**	**-**	**198,158**	**-**	**626,432**