

MAYOR OF LONDON

Greater London Authority Treasury Management Strategy Statement and Minimum Revenue Provision Policy 2024-25

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*** indicates section reserved for Mayoral approval**

1. Introduction

- 1.1. This document, the Greater London Authority's (GLA's) Treasury Management Strategy Statement (TMSS) for 2024-25 and its Annexes have been prepared with regard to the following legislation and guidance:
- (a) the Local Government Act 2003
 - (b) the GLA Act 1999 and the GLA Act 2007
 - (c) the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (the TM Code) and associated Guidance Notes (2021 edition)
 - (d) the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) and associated Guidance Notes (2021 edition)
 - (e) the Department for Levelling Up, Housing and Communities (DLUHC) Capital Finance: Guidance on Local Government Investments (3rd edition, 2018)
 - (f) the DLUHC Statutory Guidance on Minimum Revenue Provision (MRP) (2018).
- 1.2. The TMSS should be read in conjunction with the GLA Integrated Investment Strategy (IIS) which covers both treasury and non-treasury financial investments of the GLA and its subsidiaries. The IIS forms Appendix 2 to MD3231.
- 1.3. This document forms part of the GLA's financial procedures and may be periodically updated by the GLA's Chief Finance Officer (CFO) to reflect the latest operational developments and information; sections preceded by an asterisk may only be changed by Mayoral Decision, except for minor revisions to account for changed links, company names or job titles which may be authorised by the CFO.

2. Key Concepts and Terminology

The distinction between capital and revenue expenditure and funding sources

- 2.1. Local government financial practice distinguishes between revenue expenditure (current expenditure such as staff salaries or energy bills) and capital expenditure (normally items of lasting value such as infrastructure, land or fixtures and fittings); moreover, the related rules ringfence certain resources (income or reserves) for capital purposes.
- 2.2. While the GLA is free to fund capital expenditure with revenue resources, the converse is not permitted.

The distinction between funding and financing

- 2.3. Funding is matching an income source to an item or programme of expenditure; normally the funding accounted for will correspond to a cash payment in the same year.
- 2.4. Financing is incurring debt to manage insufficient funding or to spread costs over time. Debt can take the form of credit arrangements such as finance leases or borrowing.
- (a) borrowing proceeds are not income as they need to be repaid

- (b) conversely, repayment of borrowing is not an expense, just a balance sheet movement
- (c) in local government, financing may not be used for revenue expenditure.

Example:

The GLA's capital contribution to the Elizabeth Line was **financed** with loans and bonds but is being **funded** by business and development taxes.

Internal and external borrowing

2.5. Borrowing can take two forms:

- (a) external borrowing – money (principal) received from another party which must be paid back, and meanwhile attracts interest
- (b) internal borrowing – use of cash balances arising from reserves and the timing differences between income and expenditure unrelated to the unfunded item
 - i. This cash must however be repaid or replaced with external borrowing when reserves are needed or timing differences reverse, and
 - ii. Meanwhile incurs an opportunity cost from lost investment income.

The requirement to set a balanced revenue budget, unfunded capital expenditure and MRP

- 2.6. UK local authorities must set a balanced revenue budget on an annual basis (i.e. revenue expenses must be matched to revenue income or use of revenue accounting reserves); capital expenditure need not be fully funded (in accounting terms) in the year it occurs, but rather the cost (in accounting terms) can be spread over a period that matches the benefits delivered by the expenditure (eg the life of the asset).
- 2.7. Any amounts not funded in-year feed into the relevant authority's capital financing requirement (CFR) which is then reduced over time by annual funding from the revenue account, and potentially also by 'applying' capital resources in future years. Authorities must maintain a policy for calculating a prudent minimum for those annual revenue contributions, referred to annually as the minimum revenue provision (MRP). Anticipating forthcoming changes to regulation and guidance, the GLA's MRP policy has been revised and is now included at Annex 3.
- 2.8. MRP is an accounting expense (ie no payments are made) but nevertheless needs to be balanced in the budget. Since the majority of the GLA's income is received in cash, the mismatch between cash received and payments made generally causes cash to accumulate, either replacing internal borrowing or providing a means to repay external borrowings.
 - (a) reported MRP in a given period will not generally match the actual repayment of debt
 - (b) conversely, debt may appear sustainable on a cash basis, but MRP consequences can cause affordability issues within annual budgets.

Key point:

Cash and accounting movements can be widely misaligned – the interaction between the two in the context of each organisation must be understood to manage financial risks effectively.

GLA treasury management delivery and organisation

- 2.9. The Chief Finance Officer (CFO) means the officer appointed under section 127 of the Greater London Authority Act 1999 to be responsible for the proper management of the GLA's financial affairs. The CFO has statutory overall responsibility for treasury management and investment activities and the related financial risks.
- 2.10. The Chief Investment Officer (CIO) is a member of the GLA's senior leadership team with specific professional expertise, appointed to assist the CFO in the day-to-day management of treasury management and investment activities and the related financial risks.
- 2.11. London Treasury Limited (LTL) is a wholly owned subsidiary of the GLA which is authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000 (FSMA). LTL's role is to
- (a) support the CFO and the CIO in their respective duties, through
 - i. the provision of reports, analysis and advice (provided this does not exceed the limits of its FCA permissions)
 - ii. arrangement of borrowing and other financial transactions (provided this does not exceed the limits of its FCA permissions)
 - iii. managing interactions with financial institutions and assisting with procuring and commissioning relevant professional advice
 - (b) manage treasury and other investments for the GLA, its subsidiaries and (subject to the GLA's consent) other clients from time to time, in particular, the London Treasury Liquidity Fund (LTLF), a Scottish private fund limited partnership operating as an alternative investment fund (AIF) whose largest limited partner is the GLA
 - (c) form part of the GLA's interdisciplinary green finance team, providing the services above together with financial modelling and carbon impact assessment
 - (d) provide executive resources, finance and company secretarial support to LTLF and the following specialist GLA subsidiaries concerned with investment:
 - i. LTLF GP Limited
 - ii. SME Wholesale Finance (London) Limited
 - iii. GLIF Limited
 - iv. LCIF LLP
 - (e) support the GLA in the delivery of treasury management shared services and assist in developing relationships with potential new participants.

- 2.12. "The treasury function" means the CFO, CIO and LTL working together with the support of the GLA's Financial Services and Group Finance teams to deliver the activities within scope of this document.
- 2.13. Through its treasury function, the GLA provides treasury management services to
- (a) the London Fire Commissioner (LFC)
 - (b) the Mayor's Office for Policing and Crime (MOPAC)
 - (c) the London Legacy Development Corporation (LLDC)
 - (d) the London Pensions Fund Authority (LPFA)
 - (e) the Old Oak and Park Royal Development Corporation (OPDC).
- 2.14. The GLA and LTL expect to conclude and develop collaborative working arrangements to share systems and specific aspects of treasury management services with Transport for London (TfL).
- 2.15. All members of the GLA Group currently participate in LTLF.

3. *Policy Statement

- 3.1. The GLA defines its treasury management activities as the management of its 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.
- 3.2. The successful identification, monitoring and control of risks are the prime criteria by which the effectiveness of the GLA's treasury management activities will be measured. The analysis and reporting of treasury management activities will focus on their risk implications for the GLA and any financial instruments entered into to manage these risks.
- 3.3. The GLA's final responsibility for risk management and control cannot be delegated to any outside organisation.
- 3.4. The treasury management risks the GLA is exposed to are set out in Annex 1, TMP1.
- 3.5. Effective treasury management will provide support towards the achievement of the GLA's business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable, comprehensive performance measurement techniques, within the context of effective risk management.
- 3.6. The GLA's high level policy objectives for treasury management are:
- 3.7. Effective treasury investments
- (a) public funds are not lost or placed in jeopardy (security)
 - (b) cash is available when required for essential expenditure (liquidity)
 - (c) returns are maximised, so far as the above constraints allow, to offset the impact of inflation on the spending power of public funds held by the GLA and others investing alongside the GLA (yield)

- (d) where appropriate security, liquidity and yield can be maintained, opportunities for treasury investments to support Mayoral policy and service goals are identified and investigated and in all cases, treasury investments are made in line with the GLA Group Responsible Investment Policy (impact).

3.8. Prudent management of borrowing

- (a) proposed levels of borrowing are sustainable and affordable
- (b) the expected costs are well-matched to the relevant revenue streams to maximise budgetary certainty
- (c) financing is readily available when required for major capital expenditure
- (d) the most economical sources of borrowing for a given situation are identified and made use of GLA Group-wide.

3.9. Effective balance sheet management

- (a) a sustainable and prudent balance is struck between the use of cash balances in lieu of external borrowing and any potential risks of refinancing
- (b) opportunities for intragroup borrowing/investment transactions are identified to reduce risks and/or costs.

3.10. Service resilience and excellence through collaboration and shared services

- (a) the GLA will maintain and enhance service levels for existing shared service participants while actively seeking new partnerships with London boroughs and other eligible public service organisations, to share the benefits and costs of high-quality treasury management provision
- (b) in relation to commercial opportunities with positive impacts on London's environment, infrastructure, economy and civil society, the GLA and its relevant subsidiaries will seek to develop co-investment partnerships with aligned institutional investors to maximise the scale of impact achievable.

4. ***Formal clauses adopted from the TM Code**

4.1. The GLA will create and maintain:

- (a) a Treasury Management Policy Statement stating the policies, objectives and approach to risk management of its treasury management activities
- (b) 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
- (c) investment management practices (IMPs) for investments that are not held for treasury management purposes.

4.2. The content of the policy statement, TMPs and IMPs will follow the recommendations of the TM 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 TM Code's key principles.

- 4.3. The Mayor will receive reports for approval on the GLA's 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 and IMPs and an IIS for treasury and non-treasury investments. As part of the ongoing review of GLA governance, a forum will be established (which will include the Chief of Staff, the CFO and the CIO) to receive quarterly performance reports, including a mid-year review and annual outturn report from LTL and will escalate matters to the Mayor as required.
- 4.4. Should there be a need to revise the TMSS; the MRP Policy Statement; the Prudential and Treasury Management Indicators; the IIS or the TMPs at times other than those stated above, then these updates will be submitted to the Mayor for approval. The London Assembly will be fully consulted where there is any proposed change to borrowing limits.
- 4.5. The CFO 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 CIO. These officers will act in accordance with the GLA's policy statement and TMPs and, if CIPFA members, CIPFA's Standard of Professional Practice on Treasury Management.
- 4.6. Should the CFO wish to depart in any material respect from the main principles of the TM Code, the reason should be disclosed, in advance, in a report to the Mayor.
- 4.7. The London Assembly has delegated the responsibility for ensuring effective scrutiny of the treasury management activities to the Audit Panel.

5. Capital Finance Context

- 5.1. Annex 4 sets out treasury management activities for the prior year and a mid-year and forecast outturn for 2023-24. This forecast provides an opening analysis of the GLA's investment balances and CFR.
- 5.2. Cash balances are predominantly driven by reserves and unapplied capital receipts; the GLA's Capital Strategy will include a long-term forecast of the profile of these elements to assist with maintaining appropriate borrowing and investment strategies.
- 5.3. Annex 2 sets out the forward looking Prudential and Treasury Management Indicators that will be used to monitor treasury activities in 2024-25. There is a circular relationship between prudential indicators and the budget and capital spending plan:
 - (a) the indicators are calculated from the budget and capital spending plan
 - (b) indicators may highlight affordability or risk issues that require financial plans to be amended.
- 5.4. Interest rate forecasts provided by the GLA's treasury consultants are shown below and inform both investment and borrowing considerations:

Link Group Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

- 5.5. The implications of the forecasts above are to defer borrowing so far as is prudent, while avoiding delays in assessing longer term investment opportunities.

6. Borrowing Strategy

- 6.1. The treasury function will support the Mayor and CFO in meeting their respective statutory obligations for financial prudence, in particular the sustainability of debt.
- 6.2. Although temporary exceptions may be unavoidable or even justified, there is no prudent reason for external borrowing to permanently exceed the CFR. Conversely, due to the uncertainty of interest rates, it is prudent to avoid the risks of having to borrow at unknown cost. To this end, the CIO and their team seek to ensure that the maturity profile of debt is broadly matched to the downward trajectory of the CFR under the effect of MRP and any planned application of other resources.
- 6.3. 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 cash flows available for debt repayment.
- 6.4. 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.
- 6.5. Where it is likely to lead to lower interest and/or administrative cost, the GLA will consider borrowing on behalf of its functional bodies.
- 6.6. 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.

Sources of the underlying need for GLA borrowing

- 6.7. The GLA's unique statutory and operational circumstances, which require ringfencing of income streams, borrowing or both means that the GLA operates a multi-pool approach to debt management. This mitigates the risk of cross-subsidy and facilitates transparent reporting to the relevant stakeholders.
- 6.8. The GLA is nevertheless in agreement with the Prudential Code that financial efficiency and risk management are generally best delivered through maximising pooling and considering the net borrowing and investment position, therefore the treasury function carries out analysis at both the individual project account and aggregate level.
- 6.9. The CFR is decomposed and matched by dedicated loans under the following themes. Abbreviations in [-] are used in management reporting:

- (a) The Elizabeth Line [BRS] – the GLA’s programme of unfunded capital grants to TfL for the Elizabeth Line forms the majority of the GLA CFR, financed by borrowing programmed to mature in line with expected income from the Crossrail Business Rate Supplement (BRS) and the Mayoral Community Infrastructure Levy (MCIL), both of which are ringfenced for such purposes (respectively under statute and contract with the Department for Transport) until this debt is extinguished.
- (b) The Northern Line Extension [NLE] – under an innovative collaborative financing model, the GLA agreed to act as recipient for related public sector revenues (developer contributions and retained business rates from the Nine Elms enterprise zone) from the London boroughs of Lambeth and Wandsworth and use the (more stable) pooled revenue stream to fund greater initial debt finance than if the GLA and the two boroughs had borrowed individually and pooled the proceeds. The revenues are ringfenced by contract with the boroughs and a guarantee agreement between the GLA and HM Treasury (HMT) necessitates the dedication of specific loan proceeds to the NLE project account. As with the Elizabeth Line, the GLA’s CFR in relation to the NLE arises from cumulative unfunded capital grants to TfL, net of any project account surpluses applied.
- (c) The Green Finance Fund [GFF] – this obliges the GLA to link loans or bonds issued under the GFF’s Green Financing Framework to specific investments in order to match the use of proceeds to evidence of positive environmental impact. The GFF operates as a project account within the GLA, matching capital investments made to framework-compliant borrowings and tracking the associated income and expenditure. Funding the revenue consequences of related subsidy decisions and gains or losses arising from mismatches in borrowing and investment interest rates or maturity profiles is managed with the Climate Emergency Funding Reserve.
- (d) DLUHC Financial Transactions [HFTs] – the London Housing Bank and Housing Zones programmes involve the GLA acting as an agent for DLUHC, making capital loans to housing providers financed with a broadly back-to-back facility from DLUHC. The GLA’s obligations to DLUHC are linked to the performance of the relevant investments and it would therefore be inappropriate to pool these arrangements with other borrowing. The link includes a limited recourse feature, so these loans do not present any material risk to the GLA, and may be excluded for certain analytical purposes.
- (e) Core CFR – predominantly related to the historical transfer of London Development Agency (LDA) assets and liabilities to the GLA, specifically the unfunded elements of the acquisition of the Olympic Park; this also includes the impact of unfunded capital loans to the London Legacy Development Corporation (LLDC) and unfunded expenditure in relation to the Royal Docks.

6.10. An objective analysis of the GLA’s forecast opening CFR is as follows:

Forecast position as at 31 Mar 2024 (£m)			
Component	CFR	External Borrowing	Over/(Under) Borrowing
BRS	3,851	4,051	200
NLE	823	945	123
HFTs	78	99	21
GFF	135	50	(85)
GLA Core	693	113	(580)
Total	5,580	5,258	(322)

6.11. The GLA core component is further decomposed as follows:

Core CFR Components	CFR (£000)
Legacy (LDA/LTGDC)	253,483
LLDC	423,515
Pocket Living	3,657
Royal Docks	9,365
Pocket Living	3,216
Total	693,236

6.12. The GLA expects to use internal borrowing for core activity during 2024-25 in the context of the expected cash balances and the outlook for interest rates.

Sources of borrowing

6.13. The treasury function will continue to build relationships with a variety of lenders and maintain a capital markets presence that will achieve the lowest possible margin above UK Gilts, in pursuit of long-term access to sustainable funding.

6.14. The following lenders are active providers of long-term finance to the GLA:

Lender	Outstanding at 31 Dec 2023 (£000)	Objective Analysis			
		HFTs	BRS	NLE	GLA
Public Works Loan Board (PWLB)	1,981	-	1,731	200	50
European Investment Bank (EIB)	480	-	-	480	-
Bond programme (Community Finance No. 1 plc)	865	-	600	265	-
Department for Transport (DfT)	1,761	-	1,761	-	-
HM Treasury (HMT)	-	-	-	-	-
DLUHC	99	99	-	-	-
UK Investment Bank (UKIB)	-	-	-	-	-
Total	5,186	99	4,092	945	50

6.15. The GLA invests cash balances in LTLF on behalf of ReLondon and OPDC, enabling them to realise the benefits of collective investment, in OPDC's case pending the conclusion of their admission to LTLF and in ReLondon's case, to avoid disproportionate administrative costs for a comparatively small balance.

- (a) this is achieved by means of callable short-term loan instruments paying interest linked to LTLF's returns
- (b) this increases the GLA's risk in the event of funds being lost by LTLF, since the loan instruments must be repaid, but this is immaterial to the GLA's overall risk exposure and is justified in assisting closely-linked public bodies for which the GLA holds funding responsibility.

6.16. When executing borrowing transactions for the GLA within prevailing limits (see Annex 2), LTL officers may borrow from any counterparty that meets the criteria for investment in addition to

those listed above. Other counterparties must be approved by the CFO on the recommendation of the CIO or LTL and recorded in the TMP Schedules under TMP1.

Internal borrowing approach

6.17. 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:

- (a) the GLA must maintain sufficient liquidity to be certain of meeting existing borrowing and other obligations
- (b) the measures set out in the IIS substantially control credit risk
- (c) The materiality of such risks should be considered in the light of the long-term financial consequences of sub-optimal borrowing decisions
- (d) the relative expectations for investment rates and borrowing rates over the next 12 months
- (e) agreements with central government specifying particular levels of borrowing.

*Policy on borrowing in advance of need

6.18. 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.

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

- (a) ensure the ongoing revenue liabilities created, and the implications for future plans and budgets, are affordable and are within approved budgets
- (b) evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- (c) consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships
- (d) consider the alternative interest rates bases available, the most appropriate periods to fund and repayment profiles to use.

Debt rescheduling

6.20. Public Works Loan Board (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.

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

Borrowing implications of the Green Finance Fund (GFF)

6.22. Pursuant to MD3128, the GLA has established the GFF to accelerate the investment in projects aligned with the Mayor's environmental goals.

- 6.23. The GFF will supply up to an aggregate £500m in capital loans to qualifying public bodies on an unfunded basis, with the expectation that the GLA will borrow to match the aggregate outstanding loans advanced, although internal borrowing may also be used.
- 6.24. Although the lending criteria effectively eliminate credit risk, there are significant other risks arising from this arrangement including
- (a) Differences in timing between advancing loans and undertaking borrowing expose the GLA to interest rate risk (borrowing costs could exceed interest received from loans made)
 - (b) Mismatched maturity profiles between loans made and sums borrowed could lead to the GLA incurring costs per the table below.

Aggregate duration of GFF loans made vs. duration of GLA borrowing	Rates fall	Rates rise
Lower	Loss to GLA	Gain to GLA
Higher	Gain to GLA	Loss to GLA

- 6.25. The GLA's Climate Emergency Funding Reserve provides for these risks, however, LTL as the manager of the GFF investments and borrowings will report monthly to the CFO with details of the GFF loans outstanding and associated borrowings and will provide quarterly stress tests based on the table above and appropriate ranges of interest rate and duration sensitivity.

*Delegation / Authorisation

- 6.26. 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 CFO and the CIO, provided no decision contravenes the limits set out in the prevailing TMSS.
- 6.27. On the basis of the above, both the CFO and the CIO are authorised to:
- (a) approve borrowing by the GLA, for the purposes of financing capital expenditure
 - (b) make use of cash balances to fund internal borrowing when it is considered advantageous
 - (c) 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
 - (d) 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.

***Annex 1 – Treasury Management Practices (TMPs)**

This annex sets out the main principles for the GLA's TMPs, as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes ("the TM Code"). Amendments must be by Mayoral Decision.

The GLA's statutory Chief Finance Officer ("the CFO") is authorised to commission, approve and amend detailed schedules for each TMP ("the TMP Schedules"), adding to the financial procedures to be followed by the Chief Investment Officer, other GLA officers and London Treasury Limited (LTL) when administering the day-to-day treasury affairs of the GLA.

Some details of TMP implementation are intrinsic to the GLA's Treasury Management Strategy Statement (TMSS) and the GLA Integrated Investment Strategy (IIS). This is signposted where relevant.

TMP1 RISK MANAGEMENT

General statement

The GLA regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

The CFO will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the GLA's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements.

In respect of each of the following risks, the arrangements that seek to ensure compliance with these objectives are set out in the TMP Schedules.

Credit and counterparty risk management

The GLA will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited or investments made, and it will limit its treasury management investment activities to the instruments, methods and techniques referred to in TMP4 Approved instruments, methods and techniques and listed in the TMP Schedules.

It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter other financial instruments.

The GLA's policy and practices relating to environmental, social and governance (ESG) investment considerations are set out within the GLA Group Responsible Investment Policy within the IIS.

Liquidity risk management

The GLA will ensure it has adequate though not excessive cash resources, borrowing arrangements and overdraft or standby facilities to enable it at all times to have the level of funds available to it that are necessary for the achievement of its business/service objectives.

The GLA will not borrow earlier than required to meet cash flow needs unless there is a clear business case for doing so and will only do so for the current capital programme, to fund future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the GLA.

Interest rate risk management

The GLA will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs or revenues in accordance with its treasury management policy and strategy and in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications. It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs, and that the policy for the use of derivatives is clearly detailed in the annual strategy and that legal and professional advice will be taken in advance to establish a clear powers basis for any such transaction and highlight any contractual risks.

Exchange rate risk management

It will manage its exposure to fluctuations in exchange rates to minimise any detrimental impact on its budgeted income/expenditure levels.

Inflation risk management

The GLA will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole group's inflation exposures.

Refinancing risk management

The GLA will ensure that its borrowing and other long-term liabilities are negotiated, structured and documented, and the maturity profile of the monies so raised is managed, with a view to obtaining offer terms for renewal or refinancing, if required, that are competitive and as favourable to the GLA as can reasonably be achieved in light of market conditions prevailing at the time.

The GLA will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

Legal and regulatory risk management

The GLA will ensure that all its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] Credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the GLA, particularly with regard to duty of care and fees charged.

The GLA recognises that future legislative or regulatory changes may affect its treasury management activities and, so far as it is reasonably able to do so, will seek to manage the risk of adverse impact on the group.

Operational risk, including fraud, error and corruption

The GLA will ensure that it has identified the circumstances that may expose it to the risk of loss through inadequate or failed internal processes, people and systems or from external events. Accordingly, it will employ suitable systems and procedures and will maintain effective contingency management arrangements to these ends.

Price risk management

The GLA will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the sums it invests and will accordingly seek to protect itself from the effects of such fluctuations.

TMP2 PERFORMANCE MEASUREMENT

The GLA is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the GLA's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the TMP Schedules. The criteria will include measures of effective treasury risk management and not only measures of financial performance (income or savings).

TMP3 DECISION MAKING AND ANALYSIS

The GLA will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past and for accountability, e.g. demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were considered at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the TMP Schedules.

TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

The GLA will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the TMP Schedules, and within the limits and parameters defined in TMP1 Risk management.

Should the GLA consider the potential use of derivative instruments for the management of risks, these risks will be limited to those set out in its annual treasury strategy. The GLA will seek legal and financial advice and will ensure that it fully understands those products and has the ability to enter into such arrangements.

The GLA has reviewed its classification with financial institutions under MiFID II and has set out in the TMP Schedules those organisations with which it is registered as a professional client and those with which it has an application outstanding to register as a professional client.

TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS

The GLA considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is always a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If the GLA intends, because of lack of resources or other circumstances, to depart from these principles, the CFO will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements and the implications properly considered and evaluated.

The CFO will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management and the arrangements for absence cover. The CFO will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the TMP Schedules.

The CFO will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the TMP Schedules.

The delegations to the CFO in respect of treasury management are set out in the TMP Schedules. The CFO will fulfil all such responsibilities in accordance with the GLA's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

The GLA will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; the effects of decisions taken and transactions executed in pursuit of those policies; the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and the performance of the treasury management function.

As a minimum, the Mayor will receive an annual report on the strategy and plan to be pursued in the coming year.

As part of the review of GLA governance, a forum (to include the Chief of Staff, the CFO and the Chief Investment Officer) will be established to receive quarterly reports prepared by LTL on treasury activities; an annual report on the performance of the treasury management function, the effects of the decisions taken and the transactions executed in the past year, and any circumstances of non-compliance with the GLA's treasury management policy statement and TMPs; and a mid-year review.

The London Assembly, or such of its committees as it delegates to, will have responsibility for the scrutiny of treasury management policies and practices.

Relevant treasury management indicators and any other investment indicators required by regulation as detailed in CIPFA or DLUHC's sector-specific guidance notes will be reported in the strategy or outturn reports the CFO deems most appropriate.

The present arrangements and the form of these reports are detailed in the TMP Schedules.

TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The CFO will prepare – and the Mayor (in consultation with the London Assembly) will approve and, if necessary, from time to time will amend – an appropriate annual budget for treasury management, which will bring together all the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk management, TMP2 Performance measurement, and TMP4 Approved instruments, methods and techniques. The CFO will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements.

The GLA will account for its treasury management activities, decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

TMP8 CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the GLA will be under the control of the CFO and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the CFO will ensure that these are adequate for the purposes of monitoring compliance with TMP1[2] Liquidity risk management, and for the purpose of identifying future borrowing needs (using a liability benchmark where appropriate). The present arrangements for preparing cash flow projections and their form are set out in the TMP Schedules.

TMP9 MONEY LAUNDERING

The GLA is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this are properly trained.

The GLA appoints a Money Laundering Reporting Officer (independent from the treasury function) and maintains detailed anti-money laundering policies, published here:

<https://www.london.gov.uk/who-we-are/governance-and-spending/promoting-good-governance/our-procedures>

TMP10 TRAINING AND QUALIFICATIONS

The GLA recognises the importance of ensuring that all staff involved in the treasury function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to

appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The CFO will recommend and implement the necessary arrangements, including the specification of the expertise, knowledge and skills required by each role or member of staff.

The CFO will ensure that officers and elected members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

As part of LTL's adherence to the Senior Managers and Certification Regime of the Financial Conduct Authority (FCA), LTL staff are obliged to undertake regulatory and technical training as required from time to time by LTL's board. They also routinely attend national forums and practitioner groups, such as the CIPFA Treasury Management Network.

The training needs of officers and elected members are reviewed annually.

LTL, supported by its external treasury management advisor, 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.

The present arrangements, including a knowledge and skills schedule, are detailed in the TMP Schedules.

TMP11 USE OF EXTERNAL SERVICE PROVIDERS

The GLA recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value in employing external providers of treasury management services to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons that have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed.

The monitoring of such arrangements rests with the CFO, and details of the current arrangements are set out in the TMP Schedules.

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.

The GLA uses Link Treasury Services Limited, trading as "Link Group", 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.

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

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

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).

TMP12 CORPORATE GOVERNANCE

The GLA is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its treasury management activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The GLA has adopted and has implemented the key principles of the TM Code. This, together with the other arrangements detailed in the TMP Schedules, is considered vital to the achievement of proper corporate governance in treasury management, and the CFO will monitor and, when necessary, report upon the effectiveness of these arrangements.

Annex 2 – Prudential and Treasury Management Indicators

1. This Annex will be inserted following a proposed Mayoral Decision in or around March 2024, setting the GLA Group prudential indicators, following conclusion of the GLA Group budget process.

***Annex 3 – Minimum Revenue Provision (MRP) Policy Statement**

Introduction

1. The Minimum Revenue Provision (MRP) is the amount of revenues set aside each year to fund capital expenditure previously financed by borrowing or credit arrangements.
2. Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) provides that 'A Local Authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent'.
3. DLUHC is currently consulting on changes to MRP regulations and guidance. It is possible that this policy will need to be revised during 2024-25 to reflect those regulatory changes. The principal issues are set out as sub-clauses below.
4. Clause 5 of the policy has been revised to reduce the risk of error considering the GLA's increasingly complex capital transactions under distinct programmes. Since all MRP calculated on this basis was reversed in 2017-18, there are no prior year implications to this change in policy, and no fundamental change in approach.
5. Terminology has been updated to reflect the classification of the Capital Financing Requirement (CFR) set out in the Treasury Management Strategy Statement for 2024-25.

Minimum Revenue Provision (MRP) Policy

1. The natures of funding for the GLA's core CFR and that arising from major infrastructure projects, such as the Elizabeth Line and the Northern Line Extension (NLE), are distinct and require separate consideration from general corporate capital expenditure.
2. The policy for the MRP relating to the Elizabeth Line CFR is:

The GLA shall make a provision equal to the excess of Business Rate Supplement (BRS) receipts and other ringfenced revenues over net financing and other revenue costs borne by the General Fund, including the making good of prior year Elizabeth Line account deficits.
3. The policy for the MRP relating to the NLE CFR is:

The GLA shall make a provision equal to the excess of NLE Enterprise Zone revenues and developer contributions from boroughs over net financing and other revenue costs borne by the General Fund, including the making good of prior year NLE project account deficits.
4. This represents a prudent provision for the Elizabeth Line and NLE since it will fully fund the liability over a period reasonably commensurate with the benefits of the projects. It is an amortisation of the costs with a flexible profile. Other bases would cause accounting complications, inequitable to the General Fund.
 - (a) this approach would be used for other projects of similar scale that rely on ringfenced taxation to repay debt over long periods of time
 - (b) since MRP cannot be negative, the GLA may create reserves to smooth volatility in the ringfenced revenue accounts. The NLE reserve is an example of this, described in the GLA's statement of accounts.
5. For the MRP element arising from the GLA's core CFR, the policy is:

The GLA will maintain a register of the component unfunded assets and amortise each one annually on an annuity basis over the relevant period of benefit using the GLA's average rate of interest attributable to non-ringfenced borrowing over the first financial year of calculation. The annual MRP for the GLA's core CFR will be the sum of the amortisation calculated for each component in that year.

"Period of benefit" is defined as asset life (consistent with the GLA's depreciation policies) where an asset exists or, where the expenditure relates to a grant made to another body treated as capital expenditure under statute, the expected period of benefit of the capital programme the grant, to the best of the GLA's knowledge, is used to support.

6. This annuity method will provide prudent provision for capital expenditure over a period commensurate with the benefits of that expenditure in a manner which, assuming a relatively stable consolidated rate of interest payable, leads to an equal annual total revenue impact (sum of MRP and interest payable) over the years of each component's life, enabling the incremental impact of unfunded capital expenditure to be easily understood.
7. In the case of the GLA incurring statutory capital expenditure as a result of making a loan to another entity for purposes that, had the GLA undertaken these directly, would be treated as capital expenditure ("capital loans"), then the CFR element arising from such loans shall be excluded from MRP calculations to reflect the policy that the capital receipt arising from the repayment of the loan will be applied in full to meet the initial expenditure. The CFO may override this exemption on the grounds of prudence, directing a provision to be made in accordance with the methodology of (5). However, the impact of such direction on the revenue account shall be accounted for as a voluntary revenue provision (VRP). Any impairment to such loans shall be treated in accordance with proper practice.
 - (a) The DLUHC MRP consultation indicates this approach may no longer be permitted for new loans. The GLA would expect to calculate any provision in proportion to risk, for instance, loans to other public bodies would attract a much smaller MRP charge than a high-risk loan to a limited company.
 - (b) The DLUHC MRP consultation further suggests that MRP may be offset by regular repayments; this may result in the GLA needing to offer amortising structures under some loan programmes. An exemption is expected for service loans, with MRP limited to the expected credit loss (ECL) associated with each relevant loan.
 - (c) It is the GLA's expectation that changes will not need to be retrospectively applied, however, were this to be the case, the adjustment could be material. The CFO and their staff will monitor developments closely and advise the Mayor of any likely financial impact.

Annex 4 – Treasury out-turn and mid-year report

1 Introduction and Background

- 1.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, the CIPFA Prudential Code for Capital Finance in Local Authorities and the Department for Levelling Up, Housing and Communities (DLUHC) Capital Finance: Guidance on Local Government Investments.
- 1.2 The report provides details of the GLA's investment and borrowing activities for the financial year 2022-23 and the mid-year position for 2023-24. A report on the GLA's prudential indicators will be presented in March 2024 allowing comparison between years and the new year budget.
- 1.3 The GLA relies on its own officers together with those of London Treasury Limited (LTL), its wholly-owned subsidiary authorised and regulated by the Financial Conduct Authority (FCA), to deliver its treasury management function.
- 1.4 The reporting period saw the completion of the restructure of the GLA Group Investment Syndicate (GIS) into the London Treasury Liquidity Fund (LTLF), an Alternative Investment Fund (AIF) established as a Scottish limited partnership. On 30 June 2023, the GIS contractual arrangement was terminated and each GIS participant joined LTLF as a limited partner, replacing its GIS interest with an equivalent interest directly in LTLF.
- 1.5 The investment strategy and underlying investments remained unchanged by the transition from the GIS to LTLF, in accordance with the GLA's investment strategy. The new fund structure provides additional regulatory oversight and assurance via its management by an independent Alternative Investment Fund Manager (AIFM), is more scalable and reduces individual participants' accounting burdens.
- 1.6 The financial year 2022-23 saw the reversal of historically low interest rates and set the UK economy on a path to a 'new normal'. Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022-23 but it had become clear by August 2022 that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting during 2022, and into 2023, either by increasing the Bank Rate by 0.25% or 0.50% each time.
- 1.7 The Bank Rate, having started 2022-23 at 0.75%, ended the year at 4.25%. It was increased again in May, June and August 2023 and was 5.25% at the end of September. Link Treasury Services Limited (Link) has been appointed as external treasury management advisor to the GLA and the participants in the GLA's treasury management shared service. Link believes that the Bank of England will keep interest rates at the probable peak of 5.25% until the second half of 2024.
- 1.8 The UK economy was significantly affected by the government's budget in the autumn of 2022. Inflation has remained high into 2023-24 resulting in considerable pressures upon the cost of living. This along with increased debt costs has placed additional pressures upon public sector finances. High inflation and developing conflicts across the globe have prevented the Bank of England from being able to ease pressures on the economy by lowering the Bank Rate. It is against this backdrop that the following report outlines the performance of the GLA's treasury operations.

2 Treasury Management Strategy Statement (TMSS) 2022-23 and 2023-24

- 2.1 The Chief Finance Officer confirms that, throughout the reporting periods, all treasury activities have been conducted within the parameters of the prevailing Treasury Management Strategy Statements.

3 Treasury Management Out-turn Position for 2022-23 and Mid-Year Update for 2023-24

- 3.1 The GLA's debt and investment activities are managed to provide adequate liquidity for revenue and capital activities, to ensure security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through reporting and through officer activity as set out in the Treasury Management Practices.
- 3.2 The table below details the treasury management position at the end of 2022-23 and at 30 September 2023, the mid-year point for 2023-24. External debt has been broken down into its constituent parts to allow for greater transparency.

Treasury Management Position	Actual at 31/03/23		Actual at 30/09/23 (Mid-Year)	
	Amount (£m)	Rate (%)	Amount (£m)	Rate (%)
Long-Term Borrowing:				
Elizabeth Line (BRS)	4,315		4,131	
Northern Line Extension (NLE)	929		929	
DLUHC Financial Transactions (HFT)	99		99	
Green Finance Fund (GFF)	-		-	
GLA Core	55		50	
Long-Term Borrowing - Total	5,397	2.93	5,208	2.95
Short-Term Borrowing - GLA Core	28	4.35	72	5.19
Total External Borrowing (A)	5,425		5,280	
Total Other Long-Term Liabilities (B)	-		-	
Total Gross Debt (A+B)	5,425		5,280	
Capital Financing Requirement:				
BRS	4,105		3,851	
NLE	863		824	
HFT	78		78	
GFF	-		-	
GLA Core	404		663	
Capital Financing Requirement - Total	5,449		5,416	
Less Other Long-Term Liabilities	-		-	
Underlying Capital Borrowing Requirement (C)	5,449		5,416	
Under/(Over) Borrowing (C-A)	24		136	
Investments: Short/Long-Term (D)	2,821		2,935	
Total Net Borrowing (A-D)	2,604		2,345	

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 within the capital programme. On occasion it is necessary to undertake temporary borrowing to manage operational cash flow requirements.
- 4.2 During 2022-23, the overall debt portfolio decreased from £5,472m at the start of the year to £5,425m at the year end. During the first six months of 2023-24, the debt reduced further to £5,280m at 30 September 2023. The following table shows the movement in borrowing during the reporting period.

Long-Term Borrowing (£m)	BRS	NLE	HFT	GLA Core	Total
Balance at 31/03/22	4,321	906	99	125	5,450
Add new loans in 2022-23	271	23	-	-	294
Less loans repaid in 2022-23	277	-	-	70	347
Balance at 31/03/23	4,315	929	99	55	5,397
Add new loans in 2023-24	-	-	-	-	-
Less loans repaid in 2023-24	184	-	-	5	189
Balance at 30/09/23	4,131	929	99	50	5,208

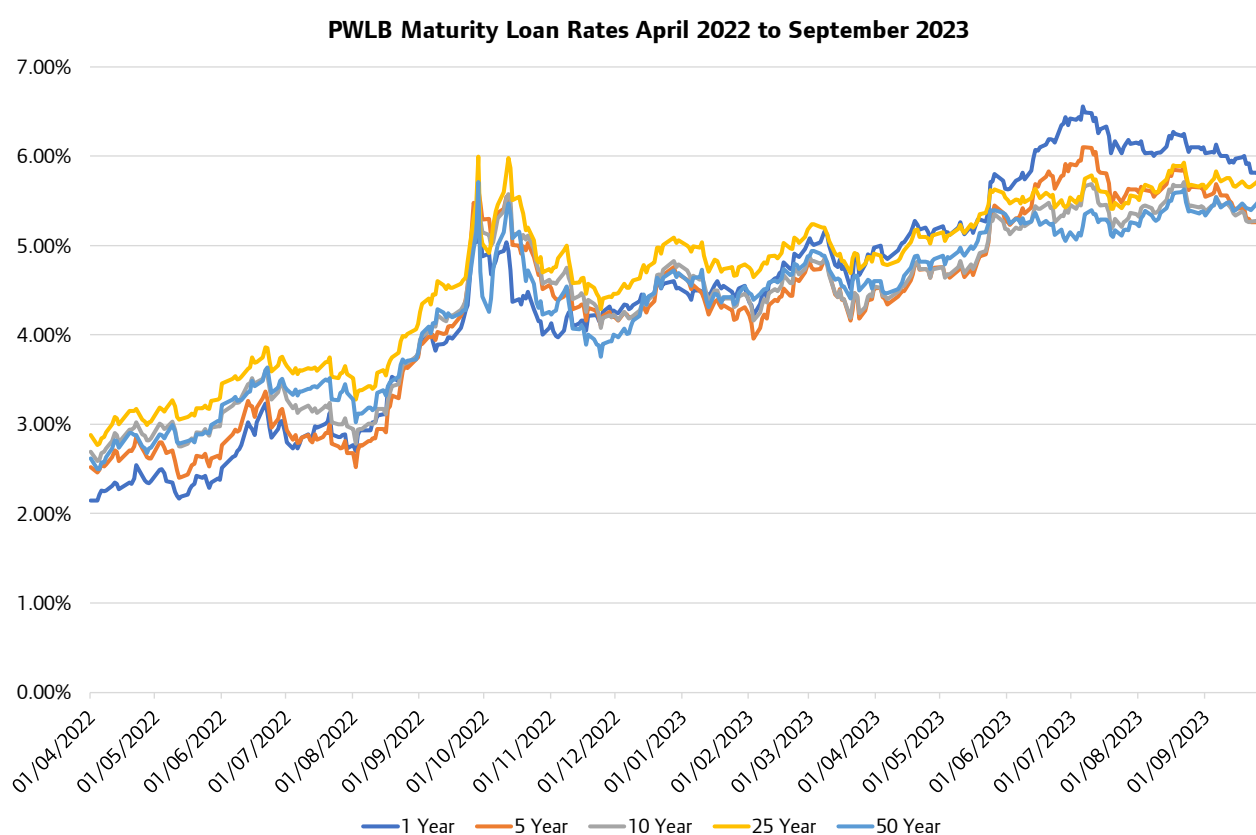
- 4.3 The table below shows the breakdown of short-term borrowing over the reporting period.

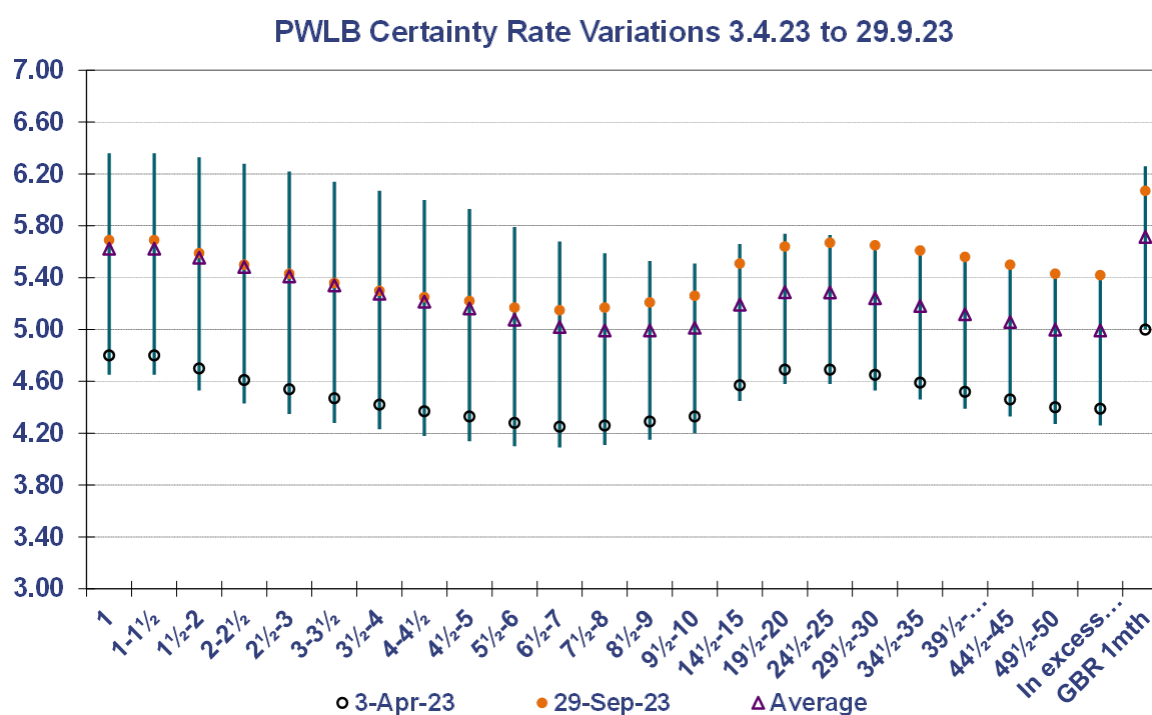
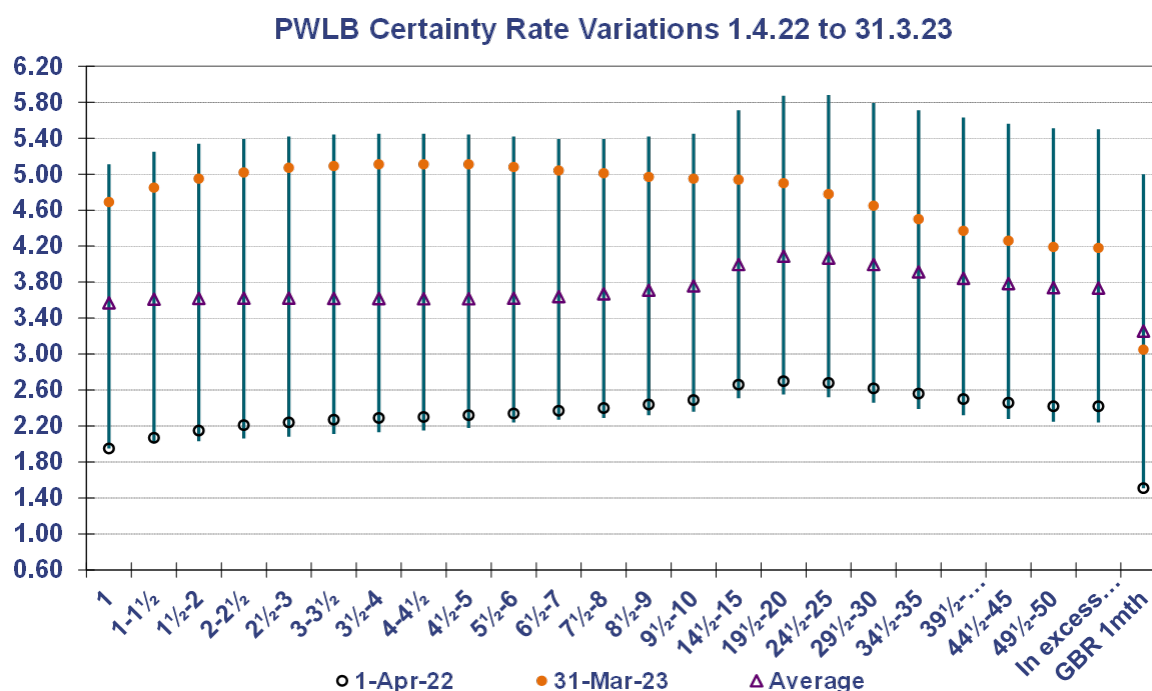
Short-Term Borrowing (£m)	ReLondon	OPDC	Total
Balance at 31/03/22	10	12	22
Add new loans in 2022-23	0	10	10
Less loans repaid in 2022-23	4	-	4
Balance at 31/03/23	6	22	28
Add new loans in 2023-24	0	47	47
Less loans repaid in 2023-24	2	1	3
Balance at 30/09/23	4	68	72

- 4.4 Link provides a number of economic forecasts to assist with treasury operations. The table below sets out their forecast as at 25 September 2023, reflecting their view that short, medium and long-dated interest rates will be elevated for some time, as the Bank of England seeks to combat inflation. The PWLB rate forecasts are for the Certainty Rate (the standard rate minus 20 basis points, calculated as gilts plus 80 basis points) which has been accessible to most authorities since 1 November 2012.

Link Group Interest Rate View	25.09.23													
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75	
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80	
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90	
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00	
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50	
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50	
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80	
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60	

- 4.5 The following charts show the movement in PWLB rates throughout the reporting period.



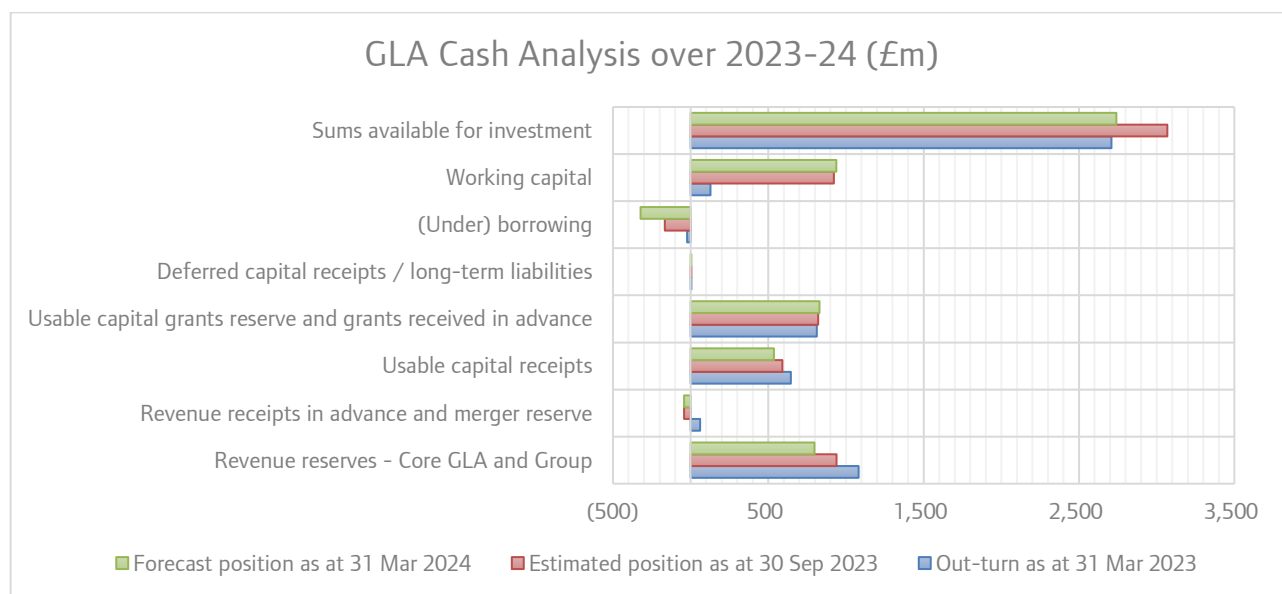


- 4.6 The GLA has not borrowed more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed.

5 Investment Activities

- 5.1 As set out above, on 30 June 2023, the GIS contractual arrangement was terminated and the GIS participants joined LTLF as limited partners. Attachment A and Attachment B to this report provide full details of the GIS investment performance for 2022-23 and LTLF investment performance for the quarter ending 30 September 2023 respectively, noting commercial sensitive information has been removed for public distribution.
- 5.2 Investment returns have increased throughout 2022-23 and to 30 September 2023; they were £93m in 2022-23 and £77m for the first half of 2023-24.

- 5.3 Returns on core liquidity and medium-term investments for the year 2022-23 were £84m, representing 90.72% of total income and a rate of return of 2.40%.
- 5.4 Returns on strategic investments for the year 2022-23 were £9m, representing 9.28% of total income and a rate of return of 4.87%.
- 5.5 Returns on the GLA's interest in LTLF for the first half of 2023-24 were £77m, an annual equivalent rate of return of 5.48%.
- 5.6 Treasury investment balances were analysed as follows:





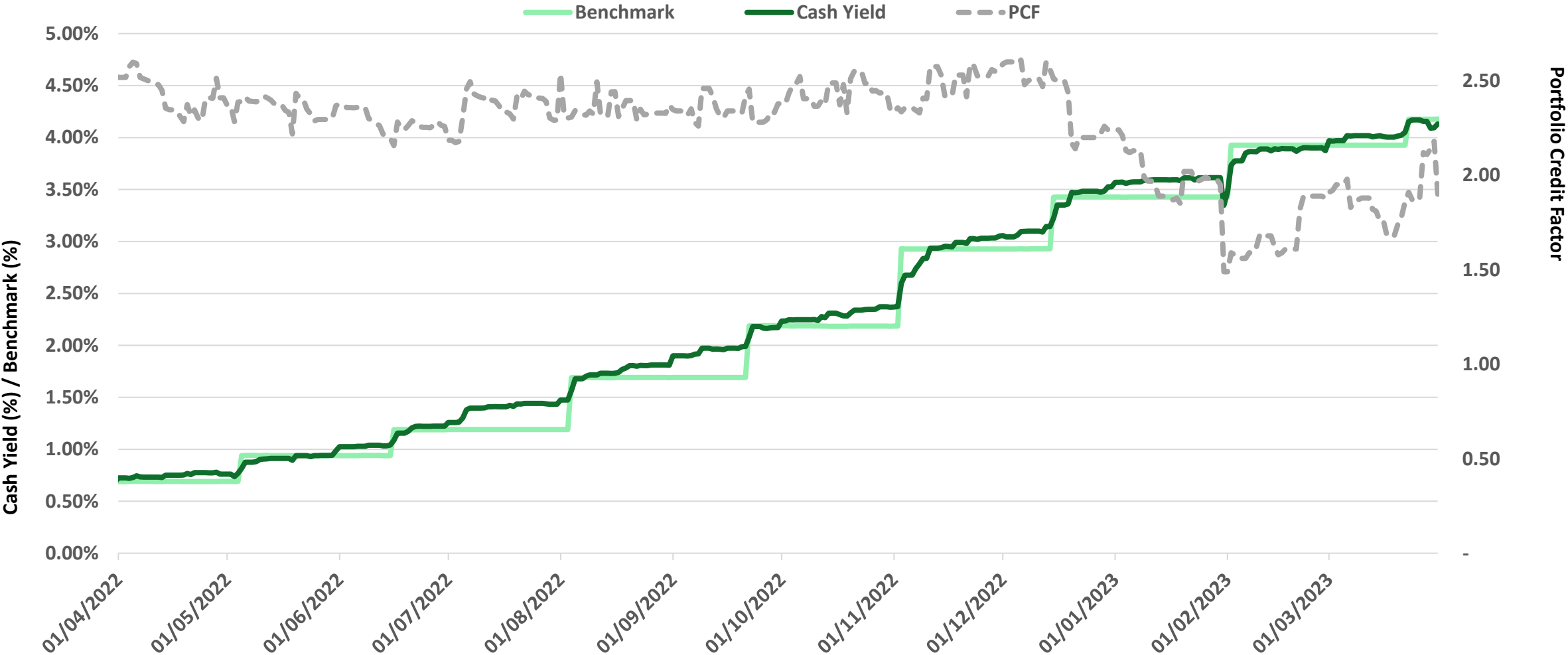
31 March 2023

2022/23 Performance Review

Group Investment Syndicate

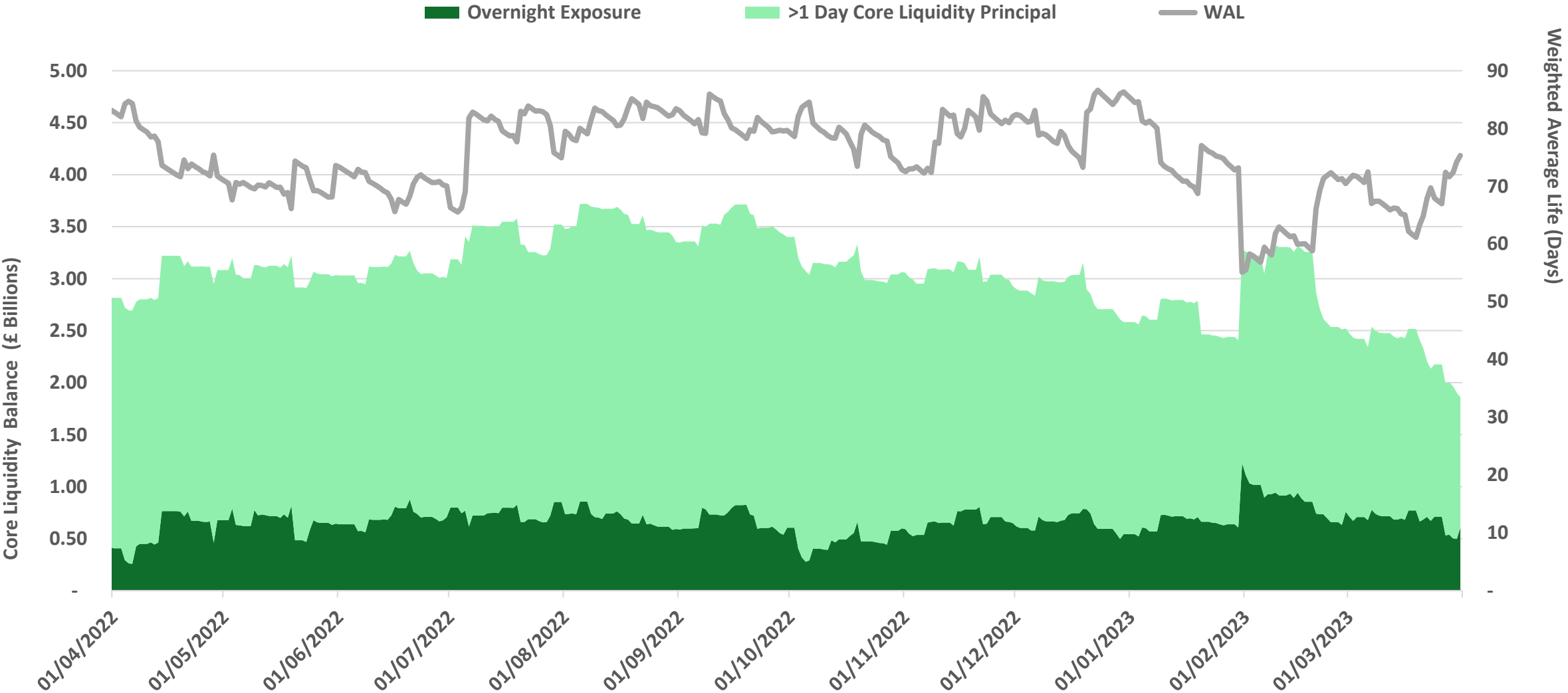
Core Liquidity - Performance

(Last twelve months)



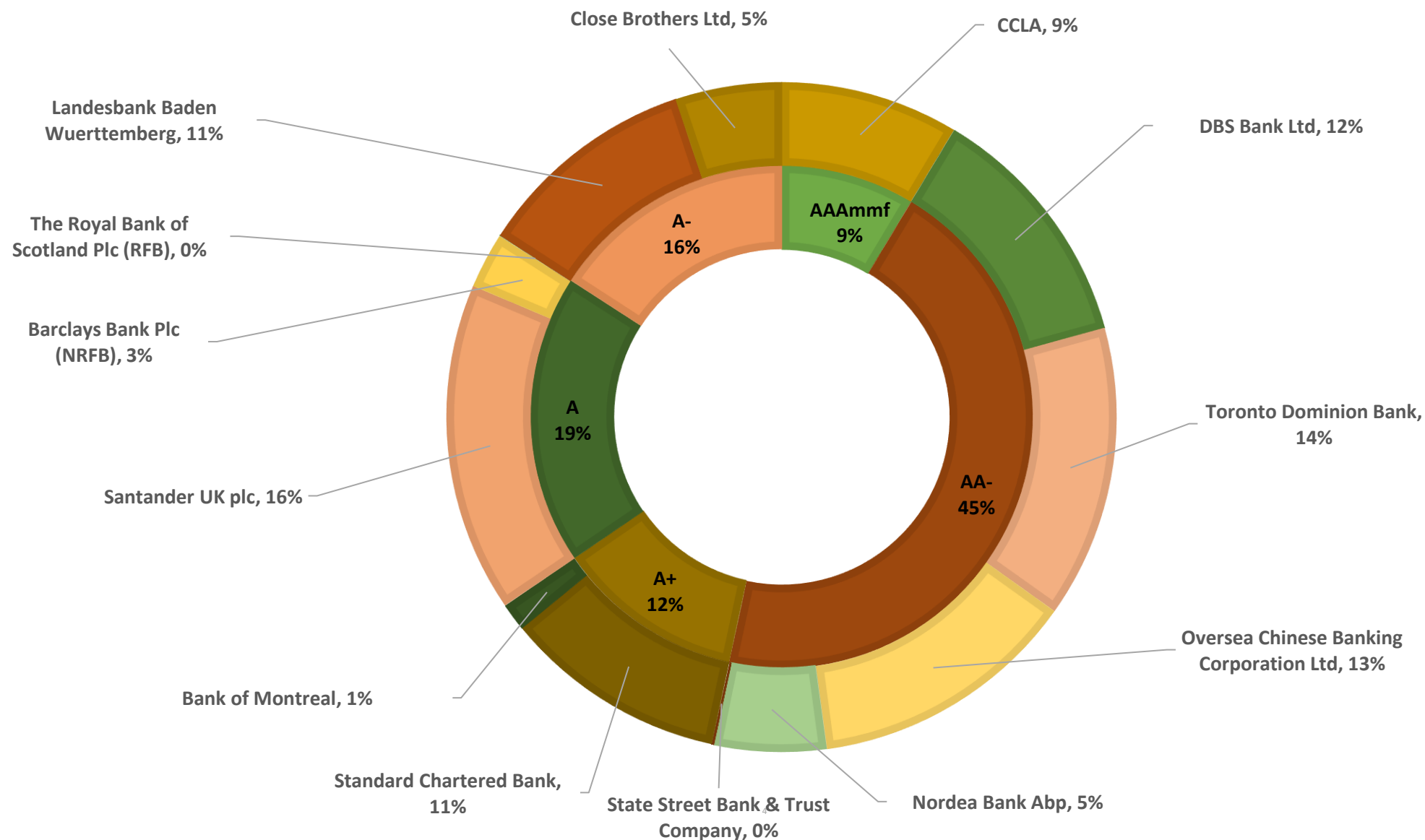
Core Liquidity - Liquidity

(Last twelve months)



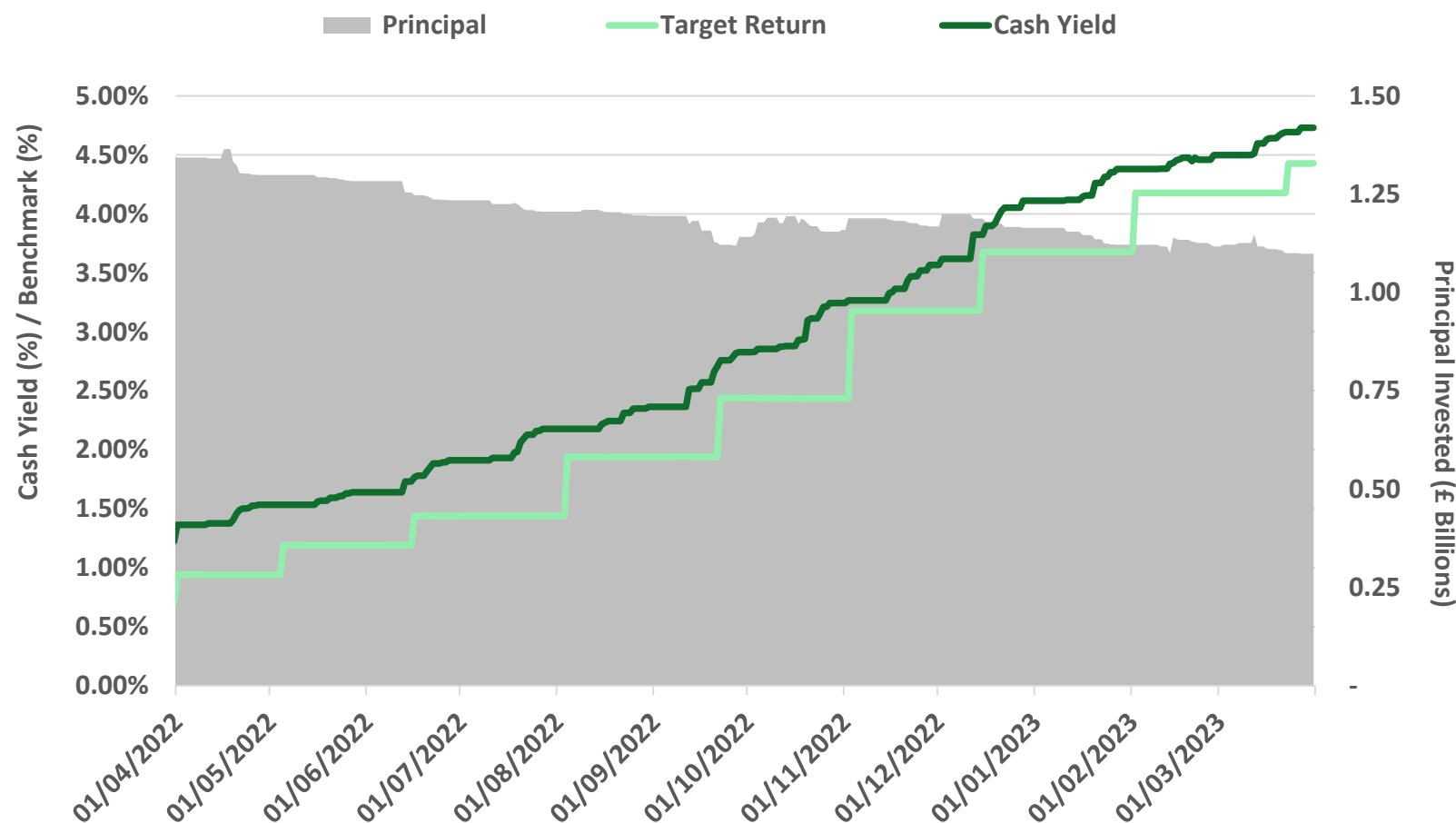
Core Liquidity – Diversification & Ratings

(As at 31 March 2023)



RMBS – Deployment & Performance

(Last twelve months)



Total RMBS Performance		£'000
Average Principal Invested		1,199,035
Contractual Interest		34,283
Realised Gains/(Losses)		590
Total RMBS Income		34,873
As a percentage		2.91%

Unrealised Gain/(Loss) at 31 March	-2,206
Total Performance	2.72%

As at 31 March 2023	
• All Bonds rated AAA	
• Weighted Average Life: 2 years	
• Net Discount on Purchase Outstanding: £4.8m	

Strategic Investments

	Date	BSIF	DBSF	DBSF - Credit Facility	Beechbrook UK SME II	Beechbrook UK SME III	Beechbrook Co-Investment	TwentyFour Absolute Return Credit Fund	NRP Premium Maritime Credit Fund	Portfolio
2021/22	31/03/2021									(71.23)
	Q1 2021/22									(129.25)
	Q2 2021/22									(0.06)
	Q3 2021/22									41.82
	Q4 2021/22									(57.39)
FY 2022/23	Q1 2022/23									(17.86)
	Q2 2022/23									(27.60)
	Q3 2022/23									(4.31)
	11/01/2023									(3.43)
	13/01/2023									0.05
	16/01/2023									0.24
	18/01/2023									0.55
	06/02/2023									(0.17)
	14/02/2023									(2.50)
	16/02/2023									0.25
	18/02/2023									7.00
	22/02/2023									(0.61)
	10/03/2023									0.11
	10/03/2023									0.28
	13/03/2023									0.53
	16/03/2023									0.22
	27/03/2023									(3.48)
	31/03/2023									0.52
	NAV 31 Mar 23	17.65 *	51.95	33.21	15.19 *	20.35 *	17.31 *	72.10	9.72	237.49
	1 Year IRR									4.49%
	Inception IRR									5.85%

Strategic Investments From GIS Inception	GBPm
Opening NAV	45.63
Principal Deployed	235.37
Principal Returned	-47.46
Closing Balance	233.53
Closing NAV	237.49
Unrealised Capital Gain/(Loss)	3.96
Realised Income	14.98
Total Return	18.94

FY 2022/23	GBPm
Opening NAV at 1 April 2022	176.39
Principal Deployed	83.72
Principal Returned	-21.95
Implied Closing Balance	238.16
Closing NAV	237.49
Contractual Interest Accruals	0.14
Unrealised Capital Gain/(Loss)	-0.80
Realised Income	10.35
Total Return	9.54

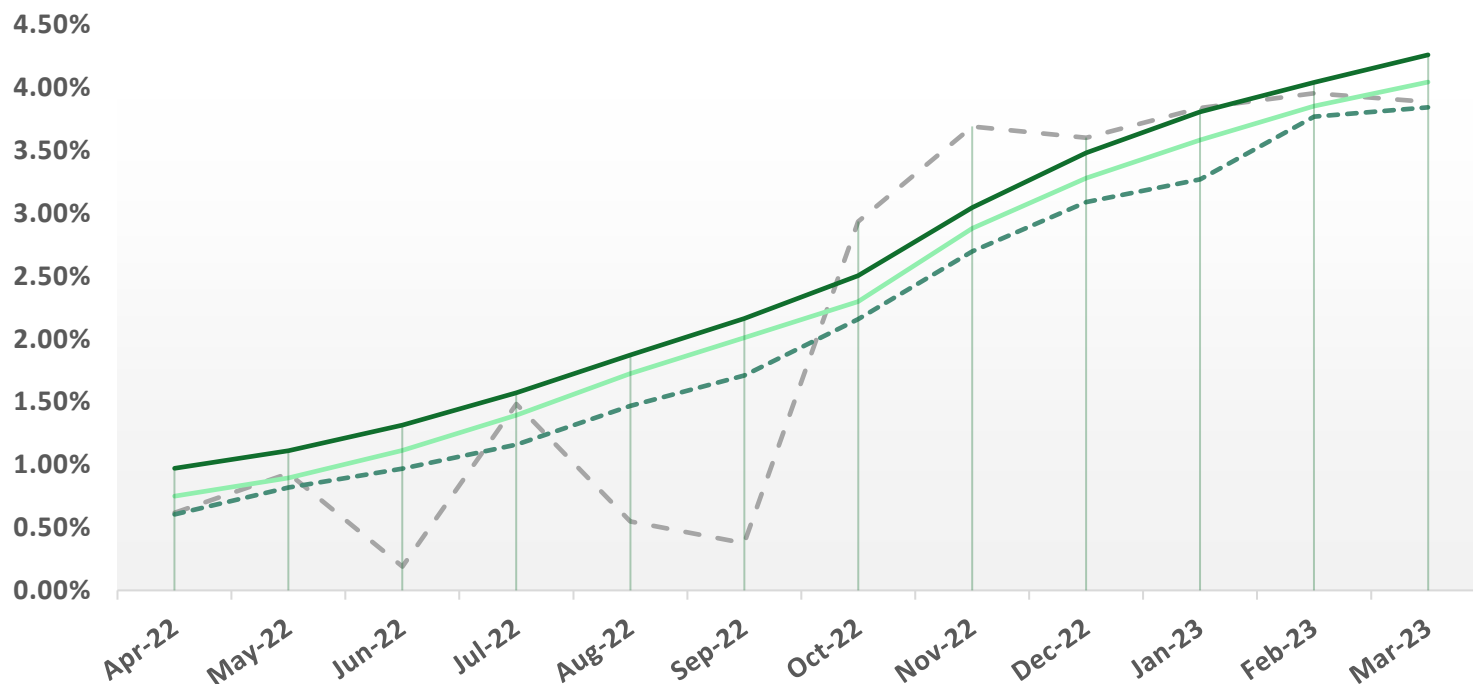
All cashflows are net of fees, -ve = Outflow, +ve = Inflow

*When data is unavailable the closing NAV's are the latest available + any subsequent drawdowns at par

Performance Benchmarking: USDBFs and MMFs against the GIS

(Last twelve months)

— USDBF Net Return - - - MMF Net Return — GIS - Core Liquidity Only — GIS - All Contractual Interest



Date	USDBF Net Return	MMF Net Return	GIS - Core Liquidity Only	GIS - All Contractual Interest
Apr-22	0.62%	0.61%	0.75%	0.97%
May-22	0.93%	0.82%	0.90%	1.11%
Jun-22	0.19%	0.97%	1.11%	1.32%
Jul-22	1.48%	1.16%	1.40%	1.57%
Aug-22	0.55%	1.47%	1.73%	1.87%
Sep-22	0.38%	1.71%	2.01%	2.16%
Oct-22	2.94%	2.16%	2.30%	2.50%
Nov-22	3.69%	2.70%	2.88%	3.05%
Dec-22	3.60%	3.09%	3.28%	3.48%
Jan-23	3.84%	3.27%	3.58%	3.81%
Feb-23	3.96%	3.77%	3.85%	4.04%
Mar-23	3.89%	3.85%	4.05%	4.26%
LTM Average	2.17%	2.13%	2.32%	2.51%
WAM Limit (Days)	188	60	90	-

* USDBF and MMF Performance data provided by Link Asset Services

- Ultra Short-Dated Bond Funds (USDBF) and Money Market Funds (MMF) continue to provide relevant comparators to the GIS, although it should be noted that they operate with different credit methodologies, diversification limits and duration limits.
- 'GIS – All Contractual Interest' returns include RMBS cash yield and contractual return elements for strategic investments.

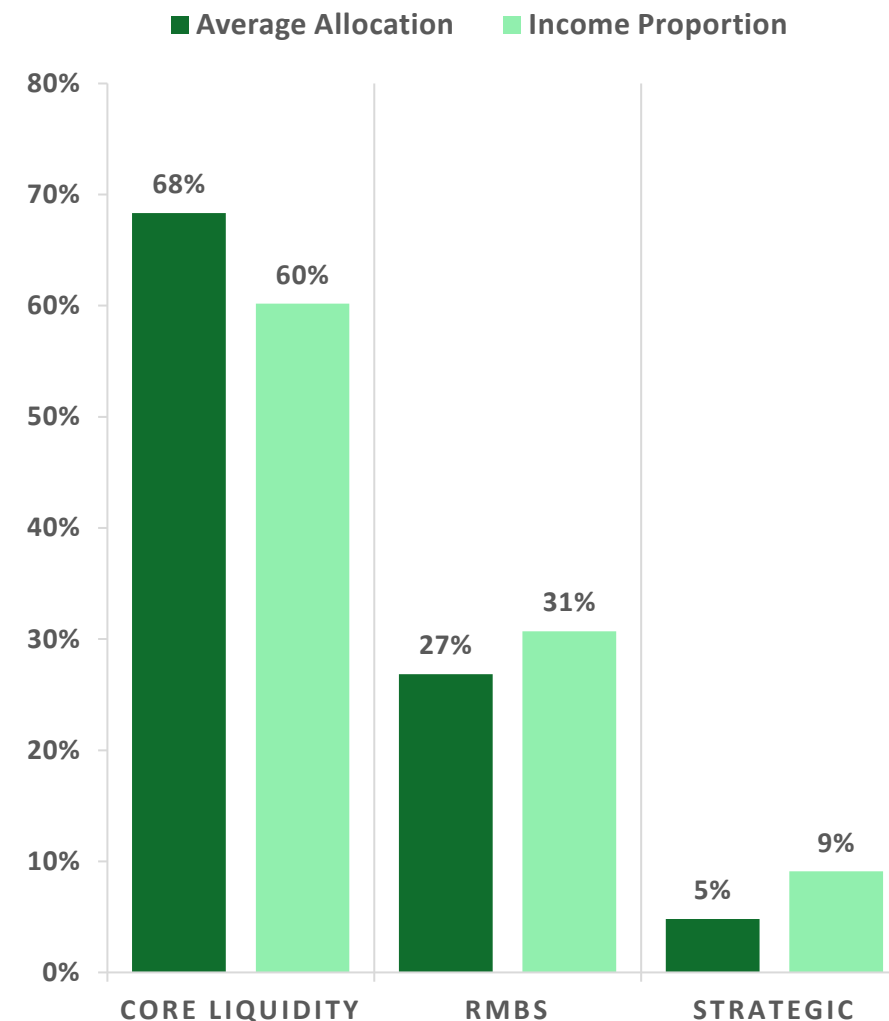
2022/23 Portfolio Performance Summary

FY 2022/23 Fund Level Gross Performance

Total Performance	£'000
Average Principal Invested	4,466,385
Contractual & Non Contractual Interest Received	112,944
Realised Gains/(Losses)	590
Total Realised Investment Income	113,533
As a percentage	2.54%

RMBS Unrealised Gain/(Loss)	-2,206
Strategic Unrealised Gain/(Loss)	-805
Total Gains/(Losses)	110,522
As a percentage	2.47%

Performance Attribution	£'000	%
Income from Call & Notice Accounts	36,314	32.0%
Income from other Senior Unsecured	32,002	28.2%
Income from RMBS	34,280	30.2%
Income from Strategic Investment	10,347	9.1%
Total Contractual & Non Contractual income	112,944	99.5%
RMBS Realised gains/(losses) and amortisation of (premiums)/discounts	590	0.5%
Total Realised Investment Income	113,533	100%



London Treasury



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Limited Partners Advisory Committee Report

Item:	5.3	Date:	28 Nov 2023
LTLF investment performance report Q2		Owner:	FC

1. EXECUTIVE SUMMARY

- 1.1. This report details the performance of London Treasury Liquidity Fund LP (LTLF) for the quarter ended 30 September 2023.

2. RECOMMENDATION

- 2.1. The Committee is asked to note LTLF performance for the quarter ended 30 September 2023.

3. INTRODUCTION & BACKGROUND

- 3.1. The performance is presented for LTLF for the quarter ended 30 September 2023.
- 3.2. LTLF began operating as an Alternative Investment Fund (AIF) on 1 April 2023 with State Street Bank and Trust Company (State Street) acting as fund administrator, G10 Capital Limited as Alternative Investment Fund Manager (AIFM), and State Street Trustees Limited as depositary.
- 3.3. While the investment strategy and underlying operations have remained unchanged, switching the Group Investment Scheme (GIS) to LTLF has involved a detailed transfer and reconciliation of investment records as well as establishing new ways of working between London Treasury Limited (LTL) and State Street.
- 3.4. The quarterly performance figures presented below are based on those provided by State Street, the fund administrator. Investment holdings have been successfully reconciled throughout the period between State Street and LTL's records, and good progress has been made in resolving the previous issues with income accruals, booking valuations and therefore the working of the performance module, which pulls its data from the accounting records.

4. PERFORMANCE

- 4.1. LTLF portfolio performance is summarised below, with additional information on each investment class following through the report.

		Gross 3-Month Return to 30-Sep-23	Net 3-Month Return to 30-Sep-23	Benchmark	
	AUM £m	Return %	Return %	%	
Core	2,473	1.43	1.41	1.25	SONIA
RMBS	1,045	1.60	1.58	1.31	SONIA + 0.25%
Strategic	249	1.41	1.37	2.28	SONIA + 4.00%
Total	3,767	1.47	1.44	1.35	SONIA + 0.40%

Source: State Street

Past performance is not a reliable indicator of future results.

Core Liquidity Investments

- 4.2.** The Core Liquidity investment balance stood at £2,473m on 30 September 2023, an increase of £348m from the end of the previous quarter. For the quarter ended 30 September 2023, Core Liquidity returned 1.41% net, outperforming the SONIA benchmark of 1.25%.
- 4.3.** The outperformance to benchmark included £2.7m of capital gains on mark-to-market investment positions through the period. These instruments include certificates of deposit and treasury bills, and the movement reverses the mark-to-market losses seen in the previous quarter. Even without these gains, the reported core liquidity performance would have remained ahead of benchmark for the quarter. Certificates of deposit and treasury bills are fixed rate instruments that must be priced daily in the new fund structure rather than held at cost. As implied interest rate expectations eased through the quarter, gains were seen on a mark-to-market basis. These instruments are of high credit quality and are bought with the intention to hold to maturity, therefore it is not expected that any such gains/losses will be realised. As the investments approach their maturity, the mark-to-market volatility reduces and the prices “pull to par” reversing any previous movements.
- 4.4.** The Core Liquidity investment allocation is invested across several investment grade UK and foreign banks (Credit rating A- or higher), Local Authorities, UK Government bonds and money market funds.

Residential Mortgage-Backed Securities (RMBS)

- 4.5.** The Residential Mortgage-Backed Securities (RMBS) investment balance stood at £1,045m on 30 September 2023, largely unchanged from the previous quarter. For the quarter ended 30 September 2023, RMBS returned 1.58% net, outperforming the benchmark of 1.31%. Performance continued to benefit from further capital gains on the portfolio during the quarter.
- 4.6.** TwentyFour Asset Management (TwentyFour) and Prytania Asset Management (Prytania), LTLF's external portfolio managers, manage the RMBS strategy. All bonds within their portfolios remain AAA rated and secured on UK prime owner-occupier and buy to let residential securities.

Strategic Investments

- 4.7.** The Strategic Investments balance stood at £249m on 30 September 2023 following the deployment of a net £7m of capital through the quarter. For the quarter ended 30 September 2023, Strategic Investments returned 1.37% net, below the benchmark of 2.28%.
- 4.8.** The Strategic Investments allocation remains invested across five investment management groups including absolute return credit, bereavement services and related property, SME credit, maritime credit and other infrastructure. Performance was under benchmark for the quarter, impacted by some valuations falling slightly since the previous quarter and therefore reversing some of the prior capital gains.
- 4.9.** Renewable energy assets in the infrastructure fund suffered some reductions in valuations. The maritime fund remains in its investment period showing a loss while in its J-curve. It is not expected to start making distributions until 2024. There were

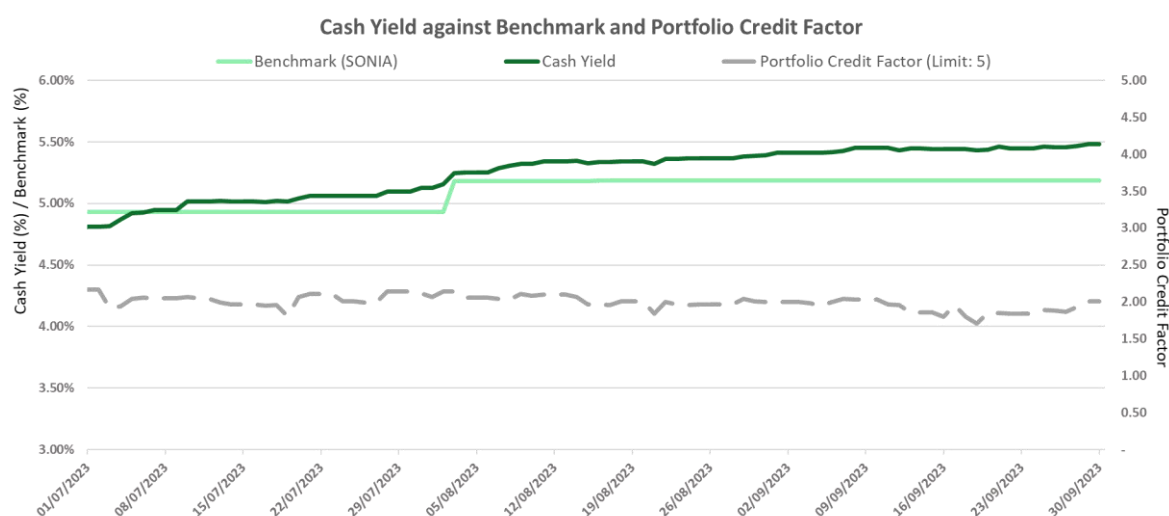
strong performances by SME credit funds and the TwentyFour Absolute Return Credit fund. When the portfolio is viewed over a longer timeframe performance remains in line with expectations (one year IRR 6.8%)

Volatility

- 4.10.** The modelled volatility of the portfolio (VaR 95) was 1.0% as of 30 September 2023, well within the 2.0% limit set in LTLF's investment strategy.

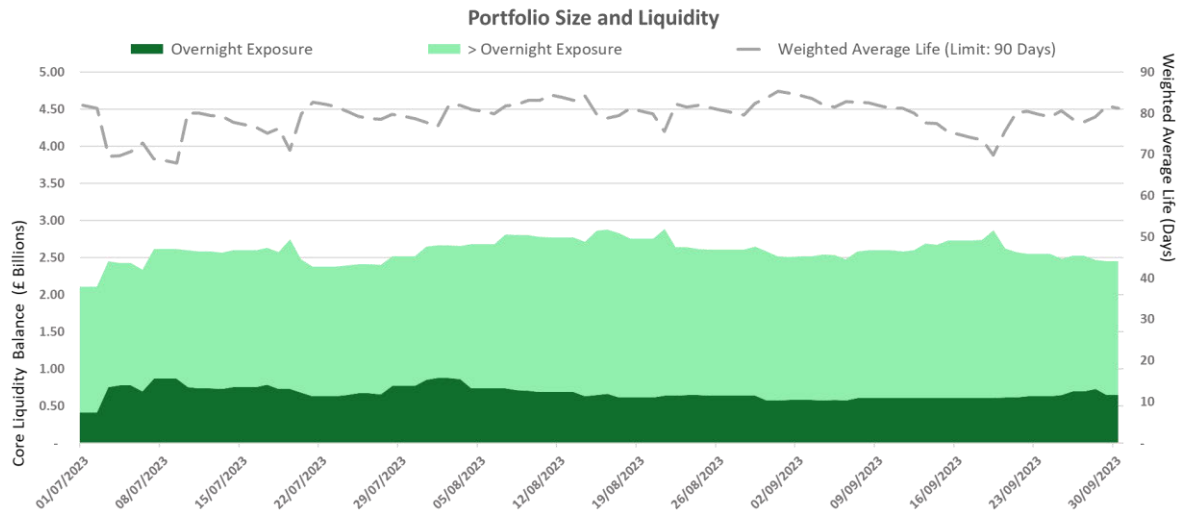
5. CORE LIQUIDITY PERFORMANCE

- 5.1.** The quarter saw the Bank of England increase Bank Rate in August, to 5.25%, before pausing its rate hiking cycle at September's Monetary Policy Committee after lower-than-expected UK inflation data. The Core Liquidity assets remained well positioned, with a low interest rate duration, to benefit from the rate hike. As a result, the lag in performance against the benchmark was limited. The weighted average life (WAL) averaged 79 days and was within the 90-day limit throughout the quarter.
- 5.2.** The charts below show some of the key performance, risk and liquidity metrics for the Core Liquidity assets for the quarter ended 30 September 2023.

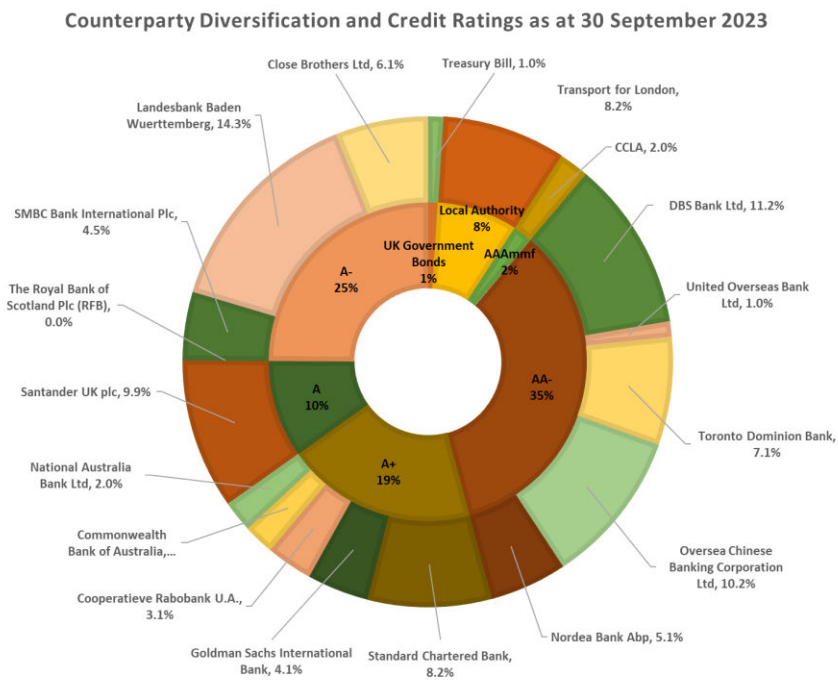


Source: LTL.

Past performance is not a reliable indicator of future results.



Source: LTL.



Source: LTL.

Allocations subject to change.

6. RMBS PERFORMANCE

Performance Summary

- 6.1.** TwentyFour and Prytania, LTLF's portfolio managers who are both focused on the RMBS strategy, resumed buying of new bonds early in the quarter, following confirmation of their revised mandate limits by LTL in late June. The RMBS portfolio was fully invested, relative to the new mandate size, by mid-July.
- 6.2.** Investor sentiment remained positive through the quarter and there was strong demand for RMBS from banks and asset managers. This led to an overall tightening in spreads and meant the portfolio continued to benefit from further mark-to-market gains.
- 6.3.** In light of the interest rate rises, the managers continue to monitor performance and underlying non-performing loans across the various bonds. They are seeing very limited impact partly due to the stronger credit profile behind prime mortgage borrowers alongside landlords having been able to pass on additional costs to tenants in the form of higher rents. The stabilising interest rate environment and easing inflationary pressures should also help to mitigate any longer-term performance issues.
- 6.4.** The charts below show the quarterly performance against benchmark for each manager and the sector diversification. At 30 September 2023, all RMBS bonds within LTLF were rated AAA.

	Quarterly Return to 30 September 2023			
	TwentyFour AM		Prytania	
	Gross	Net	Gross	Net
3-month Return	██████	1.56%	██████	1.56%
Benchmark (SONIA+25bps)	1.31%	1.31%	1.31%	1.31%
Capital Return £	730,537		688,163	
Income Return £	7,834,557		7,540,707	

Source: State Street.

Past performance is not a reliable indicator of future results.

	Sector Exposure on 30 September 2023	
	TwentyFour AM	Prytania
Buy-to-Let RMBS	54%	43%
Prime RMBS	46%	52%
Mix BTL/Prime	-	5%

Source: LTL.

Manager Update

- 6.5. One of TwentyFour's senior partners, [REDACTED] retired in September, although [REDACTED] will be staying on as an industry consultant. [REDACTED] retirement is not expected to impact LTLF as there are two other highly experienced partners in TwentyFour's Asset-Backed Securities (ABS) team of 11.

7. STRATEGIC INVESTMENTS PERFORMANCE

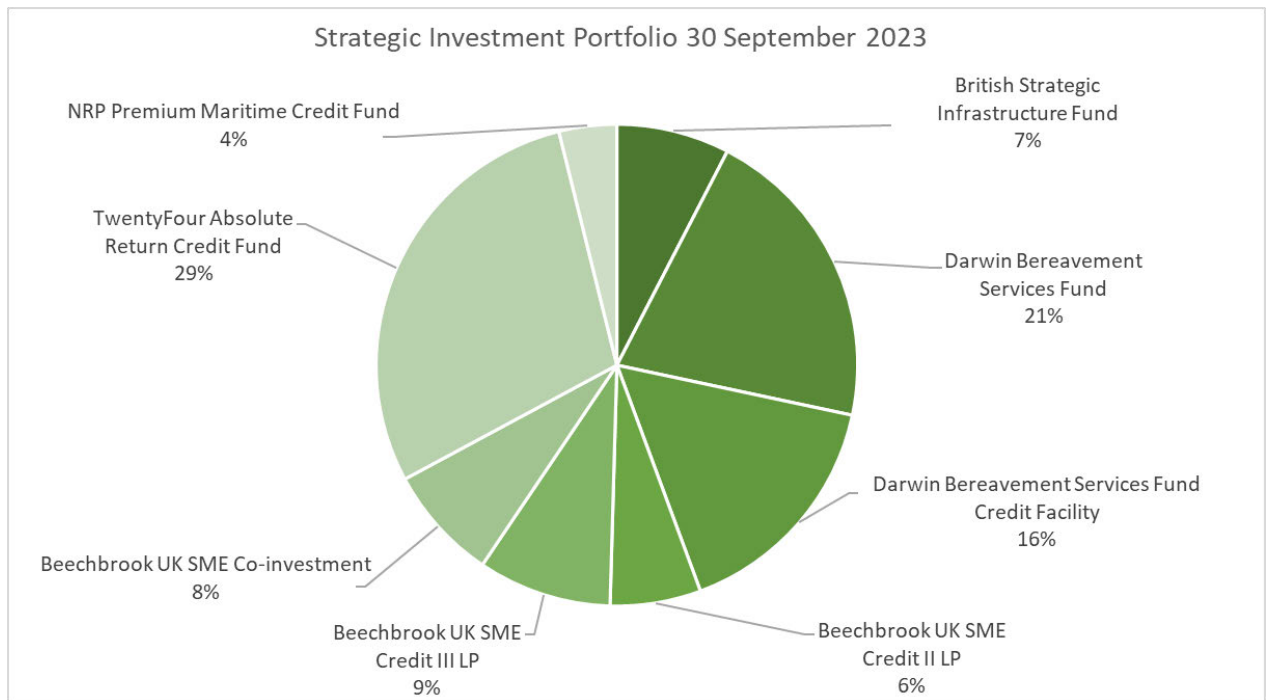
Performance Summary

- 7.1. The total performance of individual strategic investments over the past year is summarised in the below table with additional information on each investment on the following pages.

	Value Sep- 23 £m	Undrawn Commitment £m	Total Committed £m	3-month Return	1-Year IRR	Inception IRR	1-Year Cash Yield
British Strategic Infrastructure Fund	19.0	-	19.0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Darwin Bereavement Services Fund	51.8	-	51.8	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Darwin Bereavement Services Fund Credit Facility	40.0	-	40.0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Beechbrook UK SME Credit II LP	15.2	0.9	16.1	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Beechbrook UK SME Credit III LP	22.4	18.2	40.6	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Beechbrook UK SME Co-investment	19.3	2.2	21.5	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TwentyFour Absolute Return Credit Fund	72.2	-	72.2	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
NRP Premium Maritime Credit Fund	9.7	5.2	14.9	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	249.5	26.5	276.0	1.4%	6.8%	6.2%	5.6%

Source: LTL as at 30 September 2023.

Past performance is not a reliable indicator of future results.



Source: LTL.

Allocations subject to change.

British Strategic Infrastructure Fund (BSIF)

- 7.2. [REDACTED] The fund is fully committed and 100% drawn to ten platform investments providing diversified exposure to a range of UK infrastructure sectors. [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Darwin Bereavement Services Fund (DBSF)

- 7.3. The Darwin Bereavement Services Fund (DBSF) has returned 4.74% for the 12 months to 30 September. [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

Beechbrook UK SME Credit Funds

- 7.4. Beechbrook is an SME credit fund manager. Beechbrook typically lends to successful SME's seeking development finance without recourse to private equity managers. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED] The investments within the funds continue to perform well and show resilience to the macroeconomic challenges. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

TwentyFour Absolute Return Credit Fund

- 7.5. The TwentyFour Absolute Return Credit Fund is invested in high quality global short-dated credit. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

NRP Premium Maritime Credit Fund (NRP)

- 7.6. The NRP Premium Maritime Credit Fund remains early in its investment period [REDACTED]
[REDACTED] The fund is focused on loans on mid-life mid-size ships [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

7.7.

[REDACTED]

8. SUPPORTING DOCUMENTS & APPENDICES

- 8.1. London Treasury Liquidity Fund LP Performance Report to 30 September 2023, as produced by State Street Bank and Trust Company, LTLF's fund administrator.

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The risk of loss of principal is borne by the Limited Partners. The value of investments and the income derived from them may fall as well as rise. Limited Partners may not get back the loan amount originally contributed and may lose money. Past performance is not a reliable indicator of future results. Any forward-looking statements are based upon LTL's current opinions, expectations and projections. LTL undertakes no obligations to update or revise these. Actual results could be significantly different than expected. Returns are presented as gross, before fees or charges incurred directly by LTLF, unless otherwise stated. Only year-end returns are audited.

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MAYOR OF LONDON



Greater London Authority Integrated Investment Strategy 2024-25

February 2024
Version 1.0 - Appendix 2 to MD3231

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 3.1 Case Studies47

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Version History

Date	Approved by	Amendment Summary
1.0	MD3231	

1. Introduction and status

- 1.1. This document, the GLA Integrated Investment Strategy (IIS) for 2024-35 and its Annexes have been prepared with regard to the following legislation and guidance:
- (a) the Local Government Act 2003
 - (b) the GLA Act 1999 and the GLA Act 2007
 - (c) the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (the TM Code) and associated Guidance Notes (2021 edition)
 - (d) the CIPFA Prudential Code for Capital Finance in Local Authorities and associated Guidance Notes (2021 edition)
 - (e) the Department for Levelling Up, Housing and Communities (DLUHC) Capital Finance: Guidance on Local Government Investments (3rd Edition)
 - (f) the DLUHC Statutory Guidance on Minimum Revenue Provision (MRP) (2018).
- 1.2. The IIS should be read in conjunction with the GLA's Treasury Management Strategy Statement (TMSS). The TMSS forms Appendix 1 to MD3231.
- 1.3. This document forms part of the GLA's financial procedures may be periodically updated by the GLA's Chief Finance Officer (CFO) to reflect the latest operational developments and information. However, the following sections can only be altered by Mayoral Decision:
- (a) the Treasury Investment Strategy (including risk appetite statement)
 - (b) Annexes 2, 3 and 4.
- 1.4. The scope of the strategy extends to all financial investments held by the GLA and its subsidiaries, i.e. financial instruments such as loans, shares and interests in limited partnerships; future versions may be expanded to cover direct investment in land and property.

2. Background

- 2.1. The GLA manages the largest portfolio of local authority treasury investments in the UK, alongside significant investments for service purposes.
- 2.2. DLUHC's statistics as at 30 September 2023 indicated that the GLA and the authorities participating in the London Treasury Liquidity Fund (LTLF), a private funds Scottish limited partnership operating as an alternative investment fund (AIF), created and principally managed by the GLA's regulated investment management subsidiary, London Treasury Limited (LTL), account for some 8% of the national total for investments.
- 2.3. The GLA recognises the following categories of investment:
- (a) Treasury Investments – arising from the management of reserves and working capital of the GLA, invested with priorities of security and liquidity before yield, but nevertheless always seeking to achieve best value consistent with the GLA's risk appetite.
 - (b) 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.

- (c) 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.

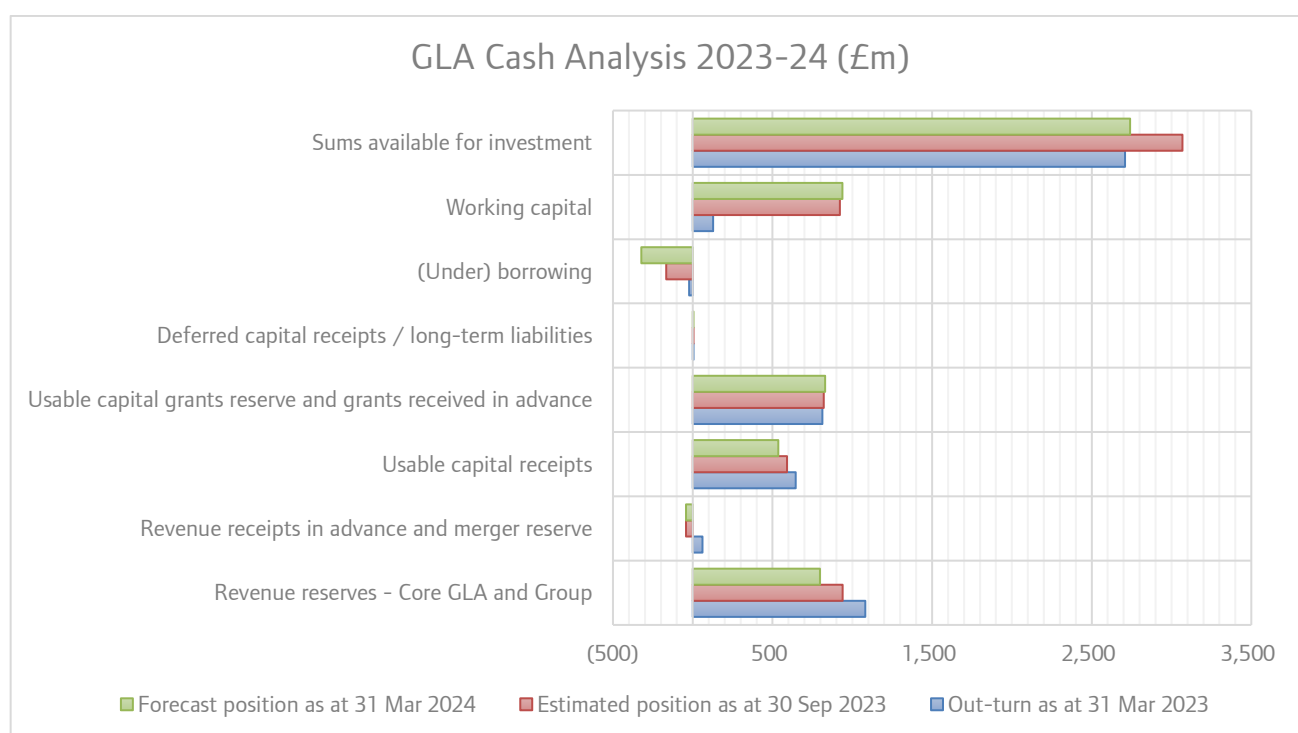
2.4. Treasury investments do not normally constitute expenditure of any kind and are described as unfunded. In exceptional circumstances there may be reasons to invest treasury balances in a manner classified as capital expenditure under statute, for example, company shares.

2.5. The significance of classification as capital expenditure is that:

- (a) where an investment does constitute capital expenditure, the principal sums returned from the investment must be treated as capital receipts, and therefore can only be used for capital spending in future
- (b) unless funded by the application of capital or revenue resources in the year it occurs, capital expenditure will give rise to a minimum revenue provision (MRP) in future years, which may be of detriment to the GLA's revenue budget. The table below sets out the main distinctions:

Investment Type	Made on commercial terms	Not classified as expenditure (ie no direct budgetary impact)	Capital Expenditure	
			Unfunded (ie financed with borrowing)	Funded
Treasury	Always	Almost always	Possible, but rare	Never
Service	Sometimes	Rarely (hybrid treasury investments)	Sometimes	Mostly

2.6. Treasury Investments arise from a combination of reserves and working capital, analysed in the table below, estimated as at 31 March 2024:



2.7. The GLA's service investments are analysed into the following themes and programmes:

Managing Team/Unit/Directorate	Service Theme	Programme	Funding status
Housing and Land	Housing	Affordable or community housing programmes	Funded
		Land Fund and GLAP investments	Mixed
		DLUHC Financial Transactions	Unfunded
		Investments in 3rd party funds	Funded
Regeneration	Economy (Regeneration)	Growing Places Fund (GPF)	Funded
LTL	Economy (SME growth/ Funding London)	LCIF	Funded
		GLIF	Funded
		MMC London Fund	Funded
	Environment	London Energy Efficiency Fund (LEEF)	Funded
		Green Social Housing Fund (GSHF)	Funded
		London's Energy Efficiency Fund (MEEF)	Funded
		Green Finance Fund (GFF)	Unfunded
	Finance	Corporate	
		GLA Land and Property Limited (GLAP)	Unfunded
		London Legacy Development Corporation (LLDC)	Mixed
		London Power	Funded
		LTL (regulatory capital)	Funded

2.8. Unfunded programmes present the most budgetary risk to the GLA, since any losses will need to be made good from the GLA's general fund:

- (a) although the DLUHC financial transactions programme is unfunded, it is financed by limited recourse loans from DLUHC, so presents a low risk of losses to the GLA
- (b) the risks surrounding the GFF and the framework for their management are discussed in the TMSS borrowing strategy
- (c) the risks surrounding GLAP and LLDC relate to the whether the proceeds of those organisations' developments are likely to be sufficient in timing and quantum to repay the GLA's underlying debt. This discussion is outside the immediate scope of this document but is intrinsic to the GLA's Capital Strategy and TMSS.

2.9. Estimated values for the GLA's entire financial portfolio, totalling c.£4bn, is set out at Annex 1.

- 2.10. All investments are expected to be made in accordance with the GLA Group Responsible Investment Policy (GRIP), as set out at Annex 2. This has been agreed with each of the GLA's functional bodies and applies groupwide.
- 2.11. The TM Code introduced a requirement for the GLA to maintain investment management practices (IMPs) for service investments analogous to the treasury management practices (TMPs) in place for treasury investments.
- 2.12. Central oversight of the treasury and service investments is the responsibility of the CFO, supported by the Financial Risk Oversight Board (FROB).

3. The role of the Financial Risk Oversight Board

Purpose

3.1. FROB will

- (a) Foster transparency and maintain a consolidated view of all direct and indirect financial exposures to external counterparties and sectors of the economy to identify any concentrations of risk that may not be apparent at individual programme level
- (b) provide a senior forum to identify opportunities for efficiency and best practice in managing investments, in particular
 - i. by considering IMP schedules, ensuring a consistent approach to local frameworks for investment management
 - ii. identifying synergies between teams and raising awareness of risk management and due diligence resources available to managers
 - iii. sharing experience and providing a professional network for support
- (c) if necessary, assist managers to formulate plans for appropriate action in the event of actual or potential defaults or other problems, ensuring that the GLA's response to investment challenges is proportionate and consistent
- (d) enable the CFO and the Chief Investment Officer (CIO) to maintain an overview of the expected maturity of existing investments, together with any new commitments made, so that the budgetary and cash flow implications of service investments are understood across the GLA and its subsidiaries.

Membership

3.2. The FROB executive will be

- (a) the CFO, as chair
- (b) the CIO as lead technical advisor
- (c) the Treasury Accountant (TA), or other such member of the finance function as the CFO may determine, as secretary to the board.

3.3. The executive director responsible for the managing unit or team responsible of a service investment theme will ensure the nomination of a responsible officer (RO) from the GLA's senior leadership team to attend FROB.

3.4. Each subsidiary within scope of FROB will nominate an RO to attend.

3.5. The CFO may invite other colleagues as required. ROs may invite programme specialists within their theme of responsibility.

3.6. Current responsibilities are as follows:

Responsible Officer	Service Theme	Programme	Programme Lead
Luke Webster CIO	n/a	Treasury Investments	RO
Rachael Hickman Assistant Director – Investment and Operations (Housing and Land)	Housing	Affordable or community housing programmes	<i>Yvette McKenzie-Ray</i> Head of Investment
		Land Fund and GLAP investments	<i>Yvette McKenzie-Ray</i> Head of Investment
		DLUHC Financial Transactions	<i>Andrew Welsh</i> Senior Investment Manager
		Investments in 3 rd party funds	<i>Yvette McKenzie-Ray</i> Head of Investment
Louise Duggan Assistant Director – Regeneration and Economic Development	Economy (Regeneration)	GPF	RO
Maggie Rodriguez-Pisa Managing Director, Funding London (LTL)	Economy (SME growth/ Funding London)	LCIF	<i>Puneet Raj Bhatia</i> Fund Director, LCIF (LTL)
		GLIF	RO
		MMC London Fund	RO
Kenroy Quellennec-Reid Head of Impact Investment and Analysis (LTL)	Environment	LEEF	RO
		GSHF	RO
		MEEF	RO
		GFF	RO
Luke Webster CIO	Corporate	GLAP	<i>Tayo Adejumo</i> Finance Business Partner GLAP
		LLDC	RO
		London Power	RO
		LTL (regulatory capital)	RO

Roles

3.7. The CFO will:

- (a) convene quarterly meetings of the executive and ROs

- (b) chair meetings and allocate responsibility for actions arising from FROB discussions
- (c) consider and approve IMP schedules prepared by ROs.

3.8. The TA will:

- (a) in consultation with the CFO and CIO, prepare agendas for meetings and take minutes of the same
- (b) circulate agendas and minutes to attendees
- (c) maintain and review a register (“the FROB register”) of all financial instruments held by the GLA, directly and through subsidiaries, in a form agreed with the CIO
- (d) ensure that the FROB register is reconciled to the GLA’s accounts on a quarterly basis and ensure that supporting evidence for any valuations is readily available
- (e) co-ordinate the preparation of a semi-annual income statement (at financial close and mid-year) to identify the GLA’s gains and losses associated with the instruments on the FROB register.

3.9. ROs will:

- (a) regularly review the FROB register and in respect of instruments in their area of responsibility:
 - i. supply the TA with timely and accurate information in respect of valuations
 - ii. prepare and regularly update high level commentary on each instrument
 - iii. rate the status of each instrument on the following basis

Red	Likelihood of loss, delay to expected repayment, other breach of contract or non-financial harm such as reputational damage
Amber	Possibility of moving to red categorisation
Green	No concerns

- (b) maintain IMP schedules in the form prescribed by the IIS, to be reviewed by the CIO and submitted to FROB for approval by the CFO
- (c) ensure actions agreed at FROB are carried out.

3.10. The CIO will:

- (a) provide or commission (from LTL or other firms) advice required by FROB or ROs individually
- (b) support the ROs in the preparation of IMP schedules
- (c) regularly review the FROB register and developments discussed at FROB, in particular considering aggregate financial risk and
 - i. advise the CFO on such risks and how they might be managed

- ii. determine any amendments to the IIS that may be necessary or desirable and recommend these to the CFO for approval (or Mayoral decision in the case of reserved matters).

4. Investment Management Practices (IMPs)

- 4.1. The GLA adopts the recommendations of the TM Code in maintaining the following practices for all service investments:
- IMP1 – investment objectives
 - IMP2 – investment criteria
 - IMP3 – risk management (cf. TMP1 and schedules), including risk identification, controls, management and monitoring for any material non-treasury investment portfolios
 - IMP4 – performance measurement and management (cf. TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments
 - IMP5 – decision making, governance and organisation (cf. TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments, and arrangements to ensure that appropriate professional due diligence is carried out to support decision making
 - IMP6 – reporting and management information (cf. TMP6 and schedules), including where and how often monitoring reports are taken
 - IMP7 – training and qualifications (cf. TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.
- 4.2. The key principles for all investments are set out at Annex 4.
- 4.3. Additionally, service ROs will prepare with the support of the CIO and LTL, local IMP schedules in the form prescribed in Annex 5.

5. Treasury Investment Strategy

Collective investment

- 5.1. The GLA will continue its successful pooled approach for Treasury Investments through LTLF, invested in line with Annex 2.
- (a) The principal portfolio manager of LTLF is the GLA subsidiary, London Treasury Limited (LTL).
 - (b) 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.
 - (c) Administration, valuation and custody services are provided by State Street Bank and Trust Company.
 - (d) Further details of the legal structure are set out in MD2792.
- 5.2. LTLF investment takes the form of a callable loan account (treated as cash and cash equivalents) reflecting daily deposits with and withdrawals from LTLF, and a longer term 'core commitment' set by the general partner (LTLF GP Limited) with regard to:
- (a) the GLA's forecast average balance for the financial year ahead

- (b) the level of risk inherent in the portfolio, to ensure that the risk of impairment to the loan account balance is negligible (currently this is 2%).

5.3. Excess fund returns over costs and interest payable on loan accounts accrues to core commitments and may be paid to the GLA and other limited partners of LTLF as a dividend.

Risk appetite statement

5.4. Capital preservation remains the central objective of the investment strategy, however the GLA and other participants recognise that some risk must be taken in order to secure the return necessary to preserve public spending power and support service delivery. Accordingly, the GLA acknowledges that:

- (a) temporary movements in the accounting value of investments can be tolerated provided there is no likelihood of being forced to sell when values fall and that the scale of potential unrealised losses is proportionate to the capacity of the GLA and other participants to absorb such losses through temporary movements in reserves
- (b) within a properly diversified portfolio, individual investments may incur losses, however these should be more than offset by the returns from other components of the portfolio.

5.5. An overall value at risk at 95% confidence (VaR95) limit of 2% applies to manage the risks associated with investments subject to market price variations. This means that fluctuations in prices, which may need to be recognised in the GLA's accounts as an unrealised loss, should not exceed 2% in 95% or more than 1:20 of modelled scenarios. On the basis of current forecast cash balances, this is a level that is proportionate to the capacity of the GLA and other participants to absorb through reserves on a temporary basis.

5.6. The 15% aggregate allocation to strategic lending (5%) and other strategic investments (10%) is based on analysis of security and liquidity.

- (a) In addition to meeting the 2% VaR95 limit, under a comprehensive range of stress tests, there should be no expected level of capital loss at a portfolio level, provided investments can be held to maturity.
- (b) At only 15% of the collective balance, it is highly unlikely that the strategic investments would ever need to be sold before maturity, based on the 13 years of cash flow data available for LTLF and its predecessor arrangement the GLA Group Investment Syndicate (GIS), nevertheless, the GLA (via LTL) will seek to build a diversified profile of investment maturity, so that at any point, if balance assumptions change, new commitments can be halted and the outstanding strategic investment balance would mature with regular cash flows.

Other treasury investments

5.7. Additionally, the CIO may, to mitigate particular risks or capture specific opportunities, with agreement from the CFO, cause sums to be invested independently of LTLF, subject to the same parameters set out in Annex 1, except that there shall be no requirement to maintain any particular weighted average maturity.

5.8. 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. Since the availability of treasury balances is affected by every aspect of the GLA's cash flows, the CIO will provide regular advice on the impact such decisions may have on the risk profile of the treasury portfolio as a whole. The CFO will then approve the amounts that may be invested, provided this does not exceed any overall limit determined by the Mayor. The Mayor's Land Fund is an example of this.

5.9. 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	<ul style="list-style-type: none"> • Temporary loans up to 3 months only • Maximum aggregate exposure is £250m less current book value of outstanding investments • Current restriction under CFO's delegated authority: £80m

Risk management

- 5.10. The consolidated limits set out at Annex 1 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).
- 5.11. 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.
- 5.12. LTL (and any external managers) will report any exception to their cash limits to the AIFM and the CFO 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.
- 5.13. 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.
- 5.14. The GLA maintains an Interest Smoothing Reserve, calculated on the basis of the VaR95 limit, forecast average balances and stress tests for movements in interest rates and adverse cash flow scenarios. The purpose of this reserve is to:
- absorb the accounting impact of unrealised gains and losses on the GLA's treasury investments to avoid any impact on budgetary flexibility
 - to be drawn on as a buffer against unforeseen shortfalls in budgeted investment income as result of falling rates so that service spending can be maintained.
- 5.15. The VaR95 of the LTLF portfolio is independently assessed at least semi-annually. The investment consultant's report is shared with LTLF LPAC, which includes the CFO.

6. Service investment backgrounds

Housing

- 6.1. These investments use multiple programme funds from the DLUHC and some internal GLA resources:

Group	Amount Committed	Investment Period
Affordable or community housing programmes:	£60,845,621	Up to 2030
Land Fund and GLAP investments:	£680,187,034	Up to and beyond 2034
DLUHC Financial Transactions	£98,037,590	Up to 2032
Investments in 3rd party funds	£40,000,000	Up to 2027

6.2. High level investment objectives for the combined £879m include:

- (a) delivery of affordable housing in London, and in some cases specialist and supported and/or community housing
- (b) infrastructure and enabling works on surplus local authority land in London to deliver at least 1,500 homes
- (c) unlocking stalled sites to overcome infrastructure and land-preparation barriers which prevent sites from coming forward for housing without this support
- (d) acquire, assemble and de-risk private and public sector sites and make them attractive for rapid residential and housing-led development
- (e) accelerate the pace of development and generate additional housing supply
- (f) the housing zones programme aims to unlock brownfield land that might be used to develop housing schemes
- (g) to deliver units of supported move on accommodation for rough sleepers or those at risk of sleeping rough.

6.3. The main three different affordable housing products expected to be funded through the Affordable Housing Programme are: Low cost rent homes, London Living Rent and London Shared Ownership.

6.4. All investments have to comply with subsidy legislation, within the powers of the Mayor of London and comply with the funding conditions set by DLUHC.

6.5. The investments together are currently expected to enable the delivery of over 13,900 homes, over 6,900 of them affordable (50%).

6.6. These homes are across a variety of tenures: Shared ownership, London Affordable Rent, London Living Rent, Social Rent and other affordable tenures.

6.7. Investments which involve the development, management or exploitation of land on commercial terms, albeit with a primary objective of enabling housing delivery, are normally made through GLAP. Detailed legal advice is taken in each case.

Economy – Regeneration

6.8. The GPF is a £110m revolving capital fund, in operation since April 2012. The aim of the fund is to help deliver projects with outcomes that attract the investment in infrastructure and regeneration which London needs, and to use public sector funding to encourage private sector investment. The GPF is used to support projects that are strategically important to London's economic growth, where its impact can be recaptured, repaid after time, and reused to fund new projects in other parts of London.

- 6.9. The GPF offered a joint investment approach to meeting substantial initial costs which the private sector would otherwise be unable to undertake due to the level of risk, insufficient finance or dependence on adequate public infrastructure.

Economy - SME Growth (Funding London)

- 6.10. These investment programmes have been managed by Funding London (FL), the trading name of SME Wholesale Finance (London) Ltd (SMEWFL) which was created by the London Development Agency in 2004 as a company limited by guarantee, alongside other public and private partners as founding members of the company, with the purpose of providing and administering venture capital and loan funds to London based SMEs, which found it difficult to access traditional sources of finance.
- 6.11. In 2017, the GLA became the sole member, effectively acquiring the company and its portfolio of investments (see MD2086 and MD2146), alongside committing up to £32m of further ERDF funding under the GLA's control. MD3128 approved an operational integration with LTL which now means LTL provides executive oversight of the FL portfolio.
- 6.12. One of the explicit aims of setting up FL was that it would enable the repayments from venture capital and loan fund investments to be held in a permanent, legally recognised vehicle for the purposes of reinvesting the proceeds for similar initiatives in the future. The successes of FL's funds to date support the continuation of the evergreen strategy of ploughing back returns into new funds alongside the private sector. Highlights of the strategy's impact include:
- (a) c. £90m of European and UK grant funding since 2004 invested and deployed alongside £25.6m of reinvested returns; enabling more than £1bn of investment for more than 800 London-based SMEs facing challenges in access to finance
 - (b) a further £6m of proceeds from exits being reinvested by the LCIF in very early stage companies
 - (c) 13,500 jobs created or supported as a result of FL investments
 - (d) delivering those objectives alongside supporting diverse founders.
- 6.13. Although the quantum and timing of the maturity of the FL funds described below is uncertain, based on the current performance, FL to continue to deliver impactful support for SMEs in London, despite the withdrawal of European Funding.

LCIF

- 6.14. The LCIF is an internally managed venture capital fund, now by LTL, following the transfer of the FL management team to LTL. LCIF was established in 2014, using £25m of London Economic Action Partnership (LEAP) funding to target start-up and seed-stage equity investments in high-growth SMEs in the science, digital and technology sectors. The fund was fully invested in 2019 and permission was granted by LEAP for the LCIF to continue to make selective follow-on investments from returns; MD3128 approved an evergreen strategy for reinvesting returns (subject to the ability of the GLA to halt this and receive distributions if required) which is currently underway.
- 6.15. LCIF's aims to:
- (a) develop and bolster the high-tech start-up, innovation and growth ecosystem in London and to provide funding to promising businesses and entrepreneurs to raise the funding they need to succeed and progress to later stage rounds
 - (b) improve the access that start-ups have to a broader set of investors
 - (c) support the development of investors in the early-stage eco-system

(d) improve the returns from early-stage investing over time.

6.16. LCIF operates a co-investment model whereby a network of co-investments partners is established and due-diligence and investment pipeline development resources can be shared. This economical delivery model has delivered respectable returns (the current fund internal rate of return stands at 13%) at low cost in comparison to many venture capital models.

6.17. LCIF has funded over 150 business. The programme has surpassed its stated objectives of achieving economic growth and creation of jobs (over 5,000 FTE jobs created vs. the initial target of 2,600).

GLIF

6.18. GLIF consists of three sub-funds that invest loan and equity finance in SMEs operating in sectors that are important in enhancing London's competitiveness, with an independent board supported by LTL overseeing the external managers of the funds.

6.19. On 31 December 2023, GLIF reached the end of its investment period. The Fund will continue for a further five years in the portfolio phase.

6.20. The Fund has deployed £87.5m alongside more than £415m from the private sector, across 156 London-based SMEs. A further £12.5m will be deployed via follow-on investments until December 2025. Reported outcomes include:

- (a) creation of c.2,500 jobs, surpassing the programme target with a further 850 jobs expected to be delivered by the end of 2025
- (b) strong investment performance to date, with fair value of the live portfolio, across loan and equity funds being c. £137m; which is c.2x multiple of the cost of investment. Of this, the equity fund represents £102.6m or a 2.9x multiple.

6.21. The £100m being deployed by GLIF comprises a £35m ERDF grant (via the GLA), matched by an EIB Facility, legacies from Funding London's previous funds and a grant from ReLondon to support investments in Circular Economy.

6.22. Per the terms of the ERDF Funding Agreement, GLIF Ltd as the Grant Recipient and Holding Fund for GLIF, is obliged to submit requests for approval to the GLA regarding its proposals to redeploy the legacy attributable to the ERDF grant, having regard for prevailing market conditions based upon an ex ante assessment.

6.23. During the course of the 2024-25, GLIF will carry out the necessary ex ante assessment to guide proposals for the recycling of the GLIF legacies to continue supporting SME growth and job creation in London.

MMC London Fund

6.24. The externally managed MMC London Fund was set up in 2012 to provide finance for innovative, high growth, London-based early stage SMEs to allow them to scale-up and achieve their growth ambitions to:

- (a) support the creation of jobs in London by supporting businesses ready to grow substantially
- (b) create a cost-effective fund given limited funds available.

6.25. The MMC London Fund deployed £12.7m alongside £109m from the private sector, across 19 London-based SMEs and is now overseen during its end of life by LTL on behalf of FL.

- 6.26. The fund delivered on the creation of c.1,183 jobs and returns from the fund have contributed £11m towards the creation of the GLIF funds. Further returns are expected in the medium term.

Environment – Green Finance

LEEF

- 6.27. LEEF is one of three urban development funds that were established under the London Green Fund (LGF). The LGF, which was launched in October 2009, was established as a fund of funds to contribute to London's previous carbon reduction targets: to make London one of the world's leading low carbon capitals by 2025 (reducing emissions to 60% below 1990 levels) and a global leader in carbon finance.
- 6.28. The fund was launched in August 2011, with commitment of £61.55m the GLA (consisting of £35.85m from the 2007-13 European Regional Development Fund (ERDF) Programme, managed by GLA and £25.7m from GLA's own funds).
- 6.29. LEEF provided flexible debt finance to projects involving:
- (a) adaptation and/or refurbishment of existing public sector and commercial buildings to make them more energy efficient
 - (b) decentralised energy schemes and associated distribution systems, including retrofit works to existing combined heat and power (CHP) and district energy networks
 - (c) small scale renewable energy.
- 6.30. LEEF was established as a 10-year limited partnership, managed by Amber Infrastructure Limited, with the GLA as one of the main limited partners. The partnership has now ended but repayments for some of the loans will continue until 2028. In September 2022, LTL took over the management of the remaining loan portfolio. This involves ensuring repayments are made when due and dealing with any cases of non-payment.
- 6.31. Up to 2018, LEEF invested in 80 buildings across 9 London Boroughs, mobilising £420m into these low carbon projects. This resulted in annual CO2 reduction of 39,000 tonnes and 34,000,000 kWh of energy savings.

GSHF

- 6.32. GSHF was set up in February 2013 to finance energy efficient retrofit of existing social housing. This included a variety of measures covering fabric improvements, air source heat pumps installation, lighting and window replacements. These measures not only reduced carbon emissions but also helped to reduce the energy costs of the residents.
- 6.33. GSHF was also established under the LGF and provided 30-year, low interest loans to three housing associations. They were provided with loans of £4m each to finance retrofitting measures to their existing housing stock.
- 6.34. The GSHF is not a legal entity but a joint arrangement that was set up and managed in accordance with an agreement between GLA and The Housing Finance Corporation (THFC). The GLA committed £12m to this fund (consisting of £6m from the ERDF Programme, managed by GLA and £6m from GLA's own funds).
- 6.35. The fund is no longer making loans. Loans repayments are made by the housing associations to THFC, which in turn make repayments to the GLA in February and August each year, until 2043.

MEEF

- 6.36. Building on the success of the LGF, MEEF was launched in July 2018 to provide flexible, competitively priced finance for low carbon projects across London, to help achieve the Mayor's net zero target.
- 6.37. MEEF provides loan and equity investments in projects that involved:
- (a) building retrofit and energy efficiency measures in public, commercial and residential properties
 - (b) production and distribution of low carbon energy, including combined heat and power; tri-generation; and communal/district heating generation and/or networks
 - (c) small scale renewable energy generation
 - (d) clean transportation.
- 6.38. The GLA committed £73.8m to MEEF from the 2014-20 ERDF programme that it managed. Additionally, in October 2021, the GLA committed £30.2m from investment returns from the London Green Fund. MEEF was structured to attract finance from other investors, and approximately £450m was committed to the fund, at the outset, from various financial institutions.
- 6.39. MEEF is managed by Amber Infrastructure Limited and will continue to invest until May 2025. By the end of 2023, MEEF had made 20 investments, mobilising £419m into low carbon projects. This is expected to result in reduced CO2 emissions of 32,000 tonnes per year and 40,000,000 kWh energy saved.
- GFF*
- 6.40. In 2018, the Mayor declared a climate emergency for London and brought forward London's net zero target from 2050 to 2030. Considerable amount of investment in capital infrastructure across London's buildings, energy networks and transport systems is required to achieve this accelerated target. To support this, the Mayor committed to borrowing £500m that would be on-lent at competitive interest rates as finance for suitable projects.
- 6.41. To that end, the Mayor launched the GFF in June 2023 to accelerate decarbonisation of capital infrastructure by lowering the cost of borrowing for eligible organisations (the GLA Group, London local authorities, Social Housing Providers, NHS bodies, Universities, Colleges and Museums accredited under the UK Museum Accreditation Scheme).
- 6.42. The GFF is managed by LTL (in conjunction with GLA's Green Finance Team) in line with a Green Finance Framework ("Framework"), which was awarded the highest rating of 'excellent' by the global ESG rating agency, Sustainable Fitch, for its environmental credentials. This is outlined at Annex 6.
- 6.43. Projects finance by the GFF must involve at least one of the following green project categories: renewable energy, energy efficiency or clean transportation. They must also deliver against at least one core indicator: annual greenhouse gas emissions reduced and/or avoided, annual renewable energy generation, installed renewable energy capacity, annual energy savings or reduction of air pollutants.
- 6.44. The Mayor (through MD3128) has delegated authority to the GFF Credit Committee to approve finance from the GFF and to ensure it operates in line with its Framework. The full scope of the Credit Committee's role is outlined in its terms of reference, which is included in the Framework.
- 6.45. Since its £186m has been approved by the Credit Committee; further approvals will shortly be confirmed.
- 6.46. To help capitalise the fund, in December 2023, the GLA concluded £190m loan agreement with the UK Infrastructure Bank, at a very competitive rate.

Subsidiary and functional body finance

- 6.47. The GLA maintains subsidiaries for specialised delivery of service objectives. The GLA provides capital to subsidiaries by way of share capital or loans, directly or through the GLA's holding company, Greater London Authority Holdings Limited (GLAH).
- 6.48. The GLA also makes loans to functional bodies such as LLDC to avoid unnecessary external borrowing at the GLA Group level.
- 6.49. Oversight of these arrangements requires a deep understanding of GLA and GLA Group budgets and business plans, treasury management expertise and knowledge of the underlying asset base or income streams that are expected to fund the return of the GLA's capital. Given the financial significance of the loans to GLAP and LLDC, this is managed directly by the CFO and their directorate leadership team, which includes the CIO and the Assistant Directors of Financial Services and Group Finance.
- 6.50. Smaller exposures exist in relation to London Power Limited (for set up costs) and LTL (for regulatory capital, required by the FCA to enable LTL to wind up in an orderly fashion in the event of financial difficulty).

Annex 1 – Overview of GLA Financial Investments

Estimated Fair Value as at 31 December 2023 (£000s)

Investment Theme	Programme	GLA	GLA - ERDF	GLAP	SMEWFL	GLA Total	Third Parties	Total Impact
Treasury	LTLF	2,779,436				2,779,436	380,311	3,159,748
Housing	Affordable/community housing programmes	46,985		234,578		281,562	121,293	402,855
	Land Fund and GLAP investments	49,628		30,089		79,717		79,717
	DLUHC Financial Transactions	38,110		2,255		40,365		40,365
	Investments in 3rd party funds	10,000		24,163		34,163		34,163
Economy - SME	LCIF	41,500			2,706	44,205		44,205
	GLIF		49,933		9,596	59,529	73,707	133,236
	MMC London Fund				14,096	14,096	3,524	17,620
Economy - Regeneration	GPF	3,408				3,408		3,408
Environment	LEEF	22,693	23,058			45,751		45,751
	GSHF	6,741	741			7,481		7,481
	MEEF	6,080	67,785			73,864	41,443	115,307
	GFF	100,000				100,000		100,000
Corporate	GLAP - foundation	300,000		(110,578)		189,422		189,422
	GLAP - operational finance	180,506		(180,506)		-		-
	LLDC	477,665				477,665		477,665
	London Power	1,126				1,126		1,126
	LTL (regulatory capital)	1,125				1,125		1,125
Totals		4,065,002	141,516	-	26,398	4,232,916	620,278	4,853,194

Notes

- The ERDF funding controlled by the GLA is ringfenced for accounting purposes, the GLA – ERDF column separates this from core GLA ownership
- Externally managed fund fair values are estimated on the basis of last available management reports
- GLAP's liabilities to the GLA are offset against financial assets to prevent double counting
- Third party investment includes outstanding drawn commitments from organisations outside the GLA and its subsidiaries
- Although a treasury investment fund, LTLF's strategic investments target positive impact where compatible with security liquidity and yield objectives: at the reporting date, c.5.3% (£168m) relates to social infrastructure, sustainable infrastructure (including renewable energy) and SME growth; further details are available in Annex 4 of the TMSS for 2024-25.

Annex 2 – 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.

SUSTAINABLE DEVELOPMENT GOALS



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.

ESG Integration	Direct (Strategic) Investments
Thematic Investment	
Engagement	Indirect Investments

Direct (Strategic) Investments – ESG Integration

- 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.

Direct (Strategic) Investments – Thematic Investment

- 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.

Annex 3 – LTLF Investment Strategy

1. Background

- 1.1 This document sets out the investment strategy for the London Treasury Liquidity Fund (LTLF) for the financial year 2024-25.
- 1.2 The main changes in the strategy from previous years, which have been agreed in principle by LTLF's Limited Partners' Advisory Committee (LPAC), are summarised below:
 - (a) A new Strategic Lending allocation of 5% of the fund is to be created by taking 5% from Core Liquidity (now 50% rather than 55%). Liquidity has been maintained by reducing the maximum Weighted Average Life (WAL) of Core Liquidity from 90 days to 60 days.
 - (b) Strategic Lending (a new 5% allocation) and Strategic Investments (the existing 10% allocation) have performance benchmarks of SONIA + 200bps and + 300bps respectively, giving LTLF the flexibility to take advantage of a wider range of investment opportunities. Previously strategic investments had a benchmark return of SONIA + 400bps, set in a very different interest rate environment and which ruled out a number of investments that could usefully contribute to achieving the targeted return while remaining within acceptable risk parameters.
 - (c) In section 3, Counterparty and Investment Limits, investments are categorised as Specified (S) or Non-Specified (NS) in accordance with the statutory guidance. Previously there was a NS* category where the investments concerned had to be managed by an FCA regulated manager. Since all investments have to be managed by FCA regulated managers under the current fund structure, this category is redundant and has been replaced by NS.
 - (d) Section 3.3 has been redrafted to clarify how the exposure limits are calculated, in particular, how forecast average balances are used for measuring limits for longer-term investments. This highlights how important it is to work in partnership to create accurate forecast cash-flow information, which then enables LTLF to meet Limited Partners' liquidity requirements in the most efficient manner possible.
 - (e) In Table 5, cash exposure limits to individual counterparties are now reduced. These reduced limits promote a diversification of counterparties and better reflects how the portfolio is run in practice: the previous limits were a relic from times when it was envisaged the overall fund balances could be more volatile. A new limit of 10% of the portfolio to any one Local Authority counterparty (previously not limited) has been added. This reflects the fact that while Local Authorities are considered by the partnership to carry UK Sovereign equivalent risk, there is nevertheless the possibility of stressed Local Authority cash-flows in the short term. LTL's Investment Team undertakes due diligence on any Local Authority before any investment is made, avoiding those with excessive borrowing or well-publicised funding issues or suspected financial mismanagement where appropriate.
 - (f) To bring consistency, a maximum limit on any new investment has been proposed across both Strategic Lending and Other Strategic Investments of 3% of assets under management at the point of commitment.
 - (g) With Strategic Investments, while seen as longer-term investments, the intention is to have regular liquidity. This will come from a diversified portfolio of closed investments returning capital each year plus investments that offer redemption options within 12 months. An initial limit of at least 33% of the portfolio being liquid within one year was included in the 2023-24 investment strategy. Reviewing the investment opportunities available, to avoid

overly restricting opportunities, it is proposed to set the percentage at 25% rather than 33%.

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 WAL ≤ 60 days	Overnight liquidity	10%	SONIA
	Short-term deposits or investment grade debt	40%	SONIA
Medium-term	Senior RMBS Expected WAL ≤ 3.5 years	35%	SONIA + 30bps
	Strategic lending Expected WAL ≤ 5 years	5%	SONIA + 200bps
Long-term core balance	Other strategic investments	10%	SONIA + 300bps
Total		100%	SONIA + 50bps

Glossary

RMBS:	Residential Mortgage-Backed Securities
SONIA:	Sterling Overnight Index Average rate
WAL:	Weighted Average Life
Gross expected return:	Expected gross return before fees and expenses incurred directly by LTLF

2.2 LTLF has the following objectives and risk profile:

Security of Capital

- (a) The portfolio 95% VaR (value at risk) should not exceed 2%.
- (b) The VaR will be assessed at least semi-annually using appropriate professional advice.

Liquidity

- (c) LTLF aims to meet all properly constituted withdrawal requests from its Limited Partners.

Yield

- (d) 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. Specified and non-specified investments are as defined in the Statutory Guidance on Local Government Investments issued by the Department for Levelling Up, Housing and Communities (DLUHC) under the Local Government Act 2003.

3.2 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.)

- 3.3 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 (see 3.3)
Senior Unsecured Debt, e.g. <ul style="list-style-type: none"> • 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 Table 5

Investment type	Eligibility criteria	≤ 1 year to maturity at time of investment	> 1 year to maturity at time of investment	Maximum total exposure (see 3.3)
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%
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	<i>Not permitted</i>	S – 100% NS – 20%, and not more than 10% with counterparties not meeting senior unsecured criteria
Senior UK Prime	Bond rating	NS	NS	35%

Investment type	Eligibility criteria	≤ 1 year to maturity at time of investment	> 1 year to maturity at time of investment	Maximum total exposure (see 3.3)
or Buy-to-Let Residential Mortgage-Backed Securities (RMBS)	Fitch AA+ _{sf} or above or equivalent from other agencies per Table 3			
Medium-Term Strategic Lending	See Section 5	NS	NS	5%
Other Strategic Investments	See Section 6	NS	NS	10%

- 3.4 LTLF's assets under management ("AUM") can vary in the short-term as its Limited Partners deposit and withdraw their treasury funds in the normal course of business.
- 3.5 For short-term core liquidity assets, exposure is measured against LTLF's AUM on the day.
- 3.6 For medium and long-term assets, LTLF measures exposure against the forecast average daily AUM for the year ahead ("Forecast AUM") based on forecast cash-flows provided by its Limited Partners. The Forecast AUM is used to fix cash limits for the quarter ahead with such limits being recalculated at least quarterly. If revised forecast cash-flows are received during a quarter that adjust the Forecast AUM by more than 20%, then new cash limits will be set during that quarter.

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 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

Issuer and/or Senior Unsecured Bond Ratings					
Long-term			Short-term		
Fitch	Moody's	S&P	Fitch	Moody's	S&P
AAA	Aaa	AAA			
AA+	Aa1	AA+			
AA	Aa2	AA	F1+	P-1	A-1+
AA-	Aa3	AA-			
A+	A1	A+			
A	A2	A	F1	P-1	A-1
A-	A3	A-			
BBB+	Baa1	BBB+			
BBB	Baa2	BBB	F2	P-2	A-2
Structured Finance Ratings					
Fitch		Moody's		S&P	
AAA _{sf}		Aaa (sf)		AAA (sf)	
AA _{sf} ⁺		Aa1 (sf)		AA+ (sf)	
Money Market Fund Ratings					
Fitch		Moody's		S&P	
AAA _{mmf}		Aaa-mf		AAAm	
Other Permitted Fund Ratings					
Fitch		Moody's		S&P	
AAA _f		Aaa-bf		AAAf	

- 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 Exposure limits to individual counterparties are determined by the colour bands assigned under the Colour Banding Methodology supplied by Link Asset Services.

Table 5 – Concentration Limits

Cash Exposure Limits – applied to individual counterparties		
Band	Overnight	> 1 day
UK Sovereign (see 4.7)	100%	100%
UK Local Authorities (see 4.7)	10%	10%
Yellow	20%	20%
Purple	20%	15%
Orange	15%	15%
Red	15%	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.
- 4.7 Exposure to an individual counterparty in the UK Sovereign band has been set at 100% to cater for a severe market disruption scenario when all funds might be best placed with a UK Government institution. Notwithstanding their UK Sovereign status, Local Authorities' cash-flows may be temporarily stressed. Following the principles of good portfolio management and diversification, cash exposure to an individual Local Authority is limited to 10% of LTLF's AUM.

5. Medium-Term Strategic Lending

- 5.1 Medium-term strategic lending is a portfolio of individual lending or financing transactions seeking to earn higher returns than the core liquidity or RMBS assets but with a low risk of capital impairment.
- 5.2 Such opportunities may involve situations where market capacity may be limited or restricted despite ample security being available or where flexibility is sought by the borrower e.g. around early repayment without penalty. An example transaction would be the provision of secured loan finance to an investment fund.

Gross expected return	SONIA + 200bps
Concentration risk	No individual medium-term strategic lending investment to exceed 3% of LTLF's Forecast AUM at the point of commitment

- 5.3 The expected WAL of medium-term strategic lending will not exceed five years.
- 5.4 Medium-term strategic lending will be secured on assets or cash-flows except where the borrower is (or is guaranteed by) an investment-grade counterparty (Fitch BBB or better, see Table 3) or a public body with credible sovereign support.

6. Long-Term Core Balance – Other Strategic Investments

- 6.1 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 + 300bps
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- 6.2 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.

- 6.3 The following limits will apply to the other strategic investments allocation:

Criteria	Limit
Overall expected portfolio volatility	95% VaR \leq 2%
Concentration risk	No individual other strategic investment to exceed 3% of LTLF's Forecast AUM at the point of commitment
Sector diversification	
Infrastructure (debt and equity)	< 50% of other strategic investments allocation
Real estate (debt and equity)	< 50% of other strategic investments allocation
SME (debt and equity)	< 50% of other strategic investments allocation
Other debt and equity (public and private)	< 50% of other strategic investments allocation

- 6.4 LTLF will not directly hold land or property.

- 6.5 While the other strategic investments allocation is made up of medium to longer term investments, liquidity remains important. Investments will be managed to ensure a regular flow of capital distributions, and where funds lack contractual redemption windows or other clear options to exit, the expected final maturity dates will be appropriately diversified.

Investments capable of redemption or sale on a recognised market within 12 months plus expected capital distributions from other strategic investments within 12 months	> 25% of other strategic investments allocation
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- 6.6 LTL may seek the approval of the Alternative Investment Fund Manager (AIFM) and 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).

7. Hedging

- 7.1 Investments denominated in foreign currency may be made under the medium-term strategic lending and other strategic investments allocations, provided that any currency risk is captured in the regular VaR analysis of LTLF and where necessary or desirable, 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.

- 7.2 Any portfolio managers undertaking hedging will be required to maintain appropriate policies on the use of hedging instruments, which must provide that any credit or liquidity risk arising from such instruments is limited to counterparties that meet the criteria of LTLF's core liquidity allocation.
- 7.3 The denomination of Limited Partners' investment in LTLF will always be sterling.

8. Investment Limit Exceptions

- 8.1 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.
- 8.2 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 (or such officer's designated deputy, in cases of absence).

9. Environmental Social and Governance (ESG) Considerations

- 9.1 LTLF's investment portfolio will be managed in accordance with the GLA Group Responsible Investment Policy.

Annex 4 – Investment Management Practices

The following principles should apply to all service investment themes and programmes. Responsible Officers (ROs) must ensure these principles are implemented across their investment programmes:

IMP1 – investment objectives

- All GLA investments must have clearly articulated objectives supporting Mayoral priorities
- Financial return may not be the primary objective
- To protect public value for money, commercially acceptable returns should always be an objective where this can be achieved without prejudice to service impact

IMP2 – investment criteria

- Programmes must specify investment criteria in IMP schedules
- Compliance with the GRIP (Annex 2) is required for all investments

IMP3 – risk management (cf. TMP1 and schedules), including risk identification, controls, management and monitoring for any material non-treasury investment portfolios

- Unless already covered by the GLA Decision-making process, all proposed service investments made must have recorded clearance from:
 - Legal – to confirm powers and whether procurement regulations or subsidy control implications may apply, and review contractual terms
 - Finance/LTL – to confirm the implications of funding decisions and in the case of unfunded investments, potential MRP implications and impact on borrowing limits
 - The Chief of Staff and relevant Deputy Mayor to confirm their approval that there is alignment with mayoral policy and reputational risks have been considered
- Ongoing risk management arrangements must be set out in IMP schedules
- LTL will provide support to ROs to align financial risk management techniques with the GLA's TMPs

IMP4 – performance measurement and management (cf. TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments

- Performance measures should be set out in the IMP schedules for the programme
- Financial record keeping procedures must be agreed with the CIO to ensure aggregate financial performance can be calculated consistently across programmes

-
- Non-financial performance measures should be agreed with the relevant service director and Deputy Mayor
 - To promote transparency, an annual impact statement detailing outcomes and performance against investment objectives, should be prepared for each programme, to be reported alongside the annual review of the IIS by the Mayor, unless reported elsewhere, in which case clear signposting should be provided.

IMP5 – decision making, governance and organisation (cf. TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments, and arrangements to ensure that appropriate professional due diligence is carried out to support decision making

- In addition to universal GLA governance procedures and financial regulations and the agreement of IMP schedules, consideration should be given to the establishment of an investment committee for large or complex programmes. Consideration should be given to the inclusion of independent expertise, either as committee members or commercially appointed advisors
- LTL will support ROs in appointing advisors and due diligence providers.

IMP6 – reporting and management information (cf. TMP6 and schedules), including where and how often monitoring reports are taken

- Appropriate reporting procedures must be set out in the IMP schedules and approved by the CFO before any investments are made
- Reporting must be proportionate to risk, with riskier programmes and investments monitored more frequently. Any reporting less frequent than quarterly must be explained in the IMP schedules.

IMP7 – training and qualifications (cf. TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

- Responsible Officers must ensure that they have adequate knowledge to oversee their themes and programmes and keep records of their own training and development together with any of their staff who are involved in the investment process.

Annex 5 – IMP schedule template

NON-TREASURY INVESTMENT MANAGEMENT PRACTICES TEMPLATE FOR INCLUSION AS SCHEDULES TO THE MAIN REPORT

(Cross-references to TMPs in brackets below indicate where the equivalent issue is dealt with in the GLA's TMPs)

Theme/Programme	XXXX
Inception Date	XXXX
Principal officer contact(s)	Job Title first.last@london.gov.uk
Source of funds	Please add how the investment was funded e.g. capital grant If financed with borrowing or GLA cash balances, put "unfunded"
Total committed	Comment on programme size – ensure consistency with GLA budget documents or relevant decisions
Programme status	"Active" if still making investments "Monitor and maintain" if managing the position without authority to re-invest

Investment Management Practices

IMP1	Investment objectives
	<ul style="list-style-type: none"> • High level aims • Key background
IMP2	Investment criteria
	<ul style="list-style-type: none"> • What can be invested in (e.g. local authority partners, housing associations) • Type of investment (e.g. loans, equity) • Any hurdles/restrictions • Append relevant strategy documents
IMP3 (TMP1)	Risk management, including risk identification, controls, management and monitoring for any material non-treasury investment portfolios
	<ul style="list-style-type: none"> • Reviewed by Financial Risk Oversight Board • Add any programme specific controls
IMP4 (TMP2)	Performance measurement and management, including methodology and criteria for assessing the performance and success of non-treasury investments
	<ul style="list-style-type: none"> • Yield and fair value to be reviewed by Financial Risk Oversight Board • Add any programme specific controls/performance measures
IMP5 (TMP5)	Decision making, governance and organisation, including a statement of the governance requirements for decision making in relation to non-treasury investments, and arrangements to ensure that appropriate professional due diligence is carried out to support decision making
	<ul style="list-style-type: none"> • Governing strategy including who has power to amend • Role of any committees or boards and append details of membership including who has power to appoint • Commentary on use of professional advisors and if used how they are appointed

IMP6 (TMP6)	Reporting and management information, including where and how often monitoring reports are taken
	<ul style="list-style-type: none">• Quarterly review by Financial Risk Oversight Board• Any other regular reporting
IMP7 (TMP10)	Training and qualifications, including how the relevant knowledge and skills in relation to non-treasury investments will be arranged
	<ul style="list-style-type: none">• Add any local requirements/arrangements

Impact Statement:

- | |
|--|
| <ul style="list-style-type: none">• Key programme achievements |
|--|

Links:

- | |
|--|
| <ul style="list-style-type: none">• List relevant MDs• Hyperlinks to any published strategies or webpages |
|--|

Annex 6 – Green Finance Framework (as at November 2023)

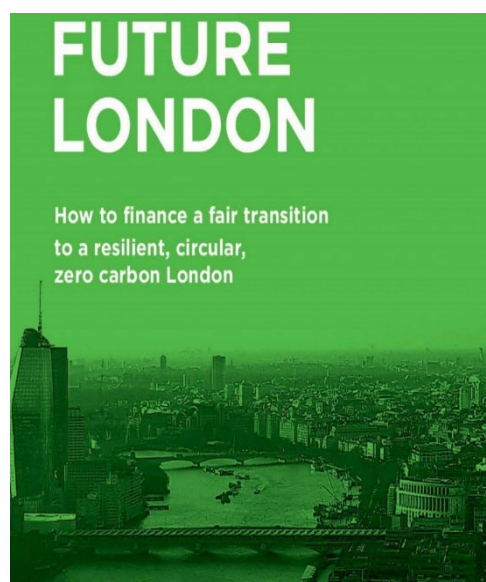
Section 1: Overview & Strategy

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



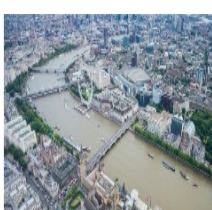
The GLA was established in 2000 and is the democratically elected strategic authority for London. It serves a population of almost 9 million people and consists of two distinct branches: the Mayor of London, Sadiq Khan, and the London Assembly.

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.

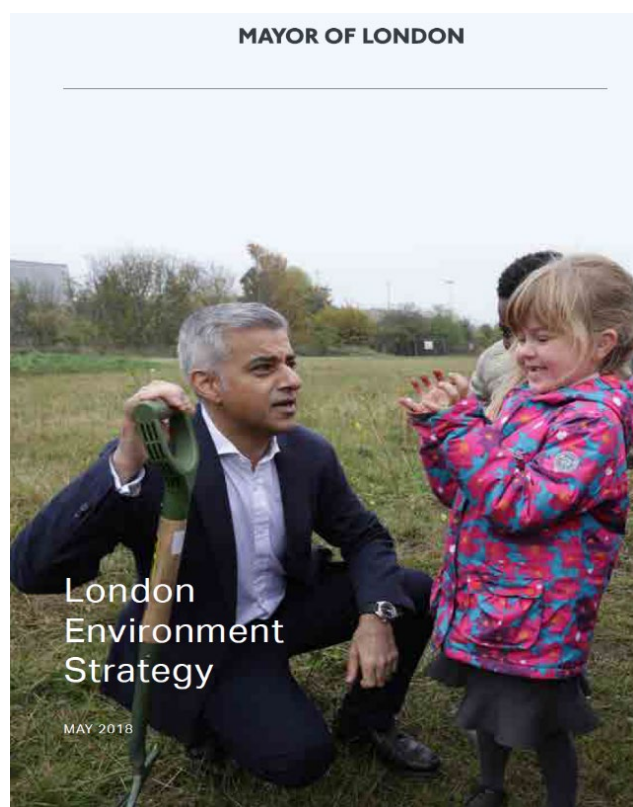
The London Assembly consists of 25 members who are elected by Londoners and are responsible for holding the Mayor to account. The Assembly works closely with the Mayor, having the opportunity to publicly examine policies the Mayor wished to implement, through various forums such as committee meetings,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



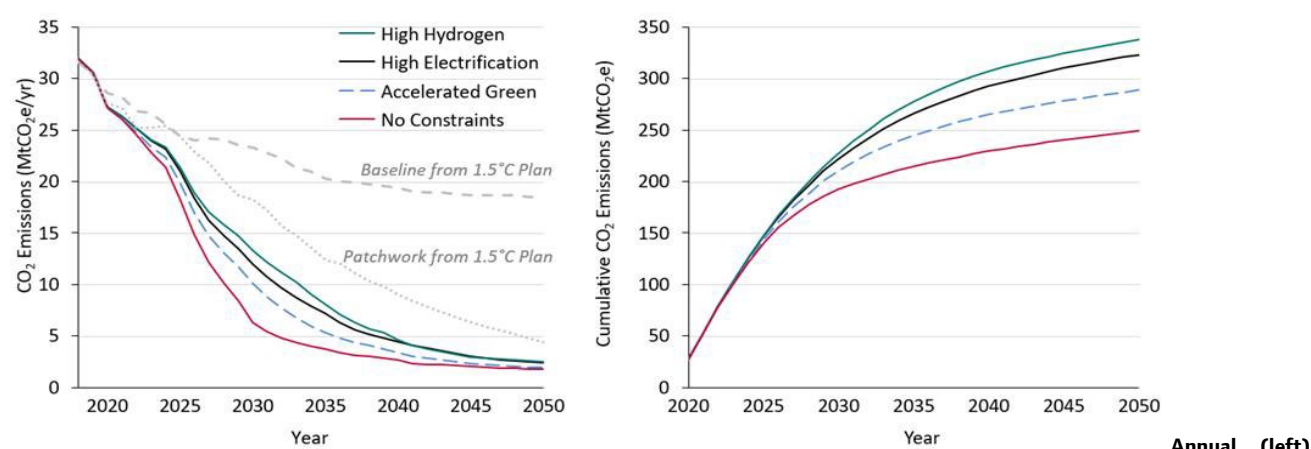
London's environment connects every aspect of life in the city. The state of London's environment affects everyone who lives in and visits the city and so, in 2018, the Mayor published an integrated environment strategy with an ambitious vision of improving London's environment for the benefit of all 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.



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 pathway², 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,

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>

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

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.

In line with the recommendations of the Green Finance Institute, the Mayor will establish an internally managed 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 Allocation and 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 24 months prior to the time of debt issuance will be applied. The GLA also 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. The GLA intends to allocate at least 25% of net proceeds to current and future expenditures.

⁴ [Green-Bond-Principles-June-2021-140621.pdf \(icmagroup.org\)](https://www.icmagroup.org/standards/green-bond-principles/2021-140621.pdf)

⁵ [Green Loan Principles Feb2021 V04.pdf \(lma.eu.com\)](https://www.lma.eu.com/standards/green-loan-principles/2021-V04.pdf)

Eligible Green Project Categories:

Eligible Green Project Categories and Indicative Alignment to the SDGs	Description	Core Indicators	Other Indicators
Renewable Energy  	<p>Financing investments to decarbonise and increase flexibility of the energy system.</p> <p>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 100gCO₂e /kWh.</p> <p>This category includes schemes that contribute to the decarbonisation and flexibility of the energy system.</p> <p>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.</p>	<p>Annual greenhouse gas emissions (GHG) reduced and/or avoided in tonnes of CO₂ equivalent</p> <p>Installed renewable energy capacity (MW)</p> <p>Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy saving)</p>	<p>Number of heat network supported</p> <p>Installed storage capacity in kW/MW</p>

	Biomass for combustion is not included.		
Energy Efficiency  	<p>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.</p> <p>Expectations will be to improve buildings:</p> <ul style="list-style-type: none"> - 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. 	<p>Annual (GHG) emissions reduced/avoided in tonnes of CO₂ equivalent</p> <p>Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings)</p>	<p>Percentage reduction in building/portfolio energy demand compared to pre-intervention baseline</p> <p>Pre- and post-intervention Energy Utilisation Index (EUI) for building/portfolio in kWh/m2</p>

	vehicle charging points) • infrastructure to support expansion of active travel modes and options, specifically walking and cycling infrastructure.		cycling
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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, Colleges and Museums*.
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 should start within 6 months of finance allocation, construction should begin within 18 – 21 months, and should be operational within 3 years++
Exclusion	Projects that do environmental harm, replacement of fossil fuel boilers, energy from waste infrastructure, brown, black or blue hydrogen, and vehicles powered through fossil fuel combustion and ethanol.
*Finance will not be provided in cases where it is deemed that doing so would negatively affect the GLA's credit rating. *Organisations accredited under the UK Museum Accreditation Scheme. **Where projects are delivered in phases, at least the first phase should be completely within this timescale.	

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. The GLA treasury management policy is guided by the GLA Group Responsible Investment Policy which sets out the practices and approaches to ensuring that invested capital prudently incorporates ESG principles into decision making processes. On climate related matters, the Responsible Investment Policy highlights the approach to counterparty assessment to ensure that best practice is adhered to and sets the scope for engagement where counterparty performance on environmental factors is lacking.

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 24 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 Allocation and Impact Report on its website, www.london.gov.uk, and which will contain separate reporting at the individual bond level. 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 Allocation and Impact Report, we will publish metrics (in line with those referenced in the Eligible Projects table on page 8).

Verification of Reporting

To ensure the highest quality of reporting, the GLA intends to procure third party verification services to provide assurance that the impact and allocation reporting and the data within is an accurate representation of the Green Finance Fund's activities.

2.2 External Review

Sustainable Fitch was appointed to confirm the alignment of the Framework to the Principles. Sustainable Fitch has provided a Second Party Opinion on this Framework.

A link to the Second Party Opinion is available at <https://www.sustainablefitch.com/international-public-finance/greater-london-authority-second-party-opinion-02-11-2023>

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 CO₂ 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.

London Treasury and Funding London Group Budgets

For the financial year to 31 March 2025

Scope

In line with MD3128, an operational integration has taken place between London Treasury Limited and Funding London, the GLA's SME and venture capital investment arm. The budget presented covers all the entities now sitting under the umbrella of London Treasury's management. These are listed below, with an asterisk denoting those budgets reserved for Mayoral approval:

1. London Treasury Limited* ("LTL") – an arm's length subsidiary of the GLA, authorised and regulated by the Financial Conduct Authority and principal portfolio manager of LTLF (as defined below)
2. LTLF GP Limited* ("LTLFGP") – an arm's length SPV of LTL, acting as general partner to LTLF
3. London Treasury Liquidity Fund LP ("LTLF") – a Scottish private fund limited partnership, created to hold the collective treasury investments of the GLA and its shared service and investment partners
4. SME Wholesale Finance (London) Limited* which trades as Funding London ("FL") – a temporarily arm's length company which acts as the holding company for the Funding London investment programme and manages an associated investment readiness programme for diverse founders, funded by the UK Shared Prosperity Fund and supported by the Mayor of London
5. GLIF Ltd ("GLIF") – an arm's length subsidiary of FL which oversees the Greater London Investment Fund, a fund of funds providing loan and equity finance for London's small to medium enterprises (SMEs), through three sub-funds; MMC Ventures manages the equity fund and FSE Group manages the two debt funds
6. LCIF LLP ("LCIF") – a limited liability partnership controlled by FL and in the ultimate beneficial ownership of the GLA; it holds the assets of the London Co-investment Fund, a London-centred venture capital equity fund managed by LTL staff.

LTLF's budget is set by LTLFGP and LCIF's and GLIF's budgets are set by FL. They are included here for the purposes of transparency of the expenditure itself and to demonstrate the interaction with other budgets in the group. The Mayor is therefore asked to approve specifically the budgets of LTL, LTLFGP and FL.

FL is expected to become a GLA-managed company before 31 March 2024, as set out in MD3128.

The Mayor is requested to approve the total expenses for each of LTL, LTLFGP and FL detailed in the following Budget Table. It is noted that the respective boards of the companies have the authority to approve transfers between their own budget lines, with the expectation that the GLA's Chief Finance Officer (CFO) will be informed of any single transfer in excess of £50k.

The Mayor is also requested to approve that the GLA's CFO may authorise transfers between the budgets in the group (i.e. from one entity to the other) on the recommendation of the LTL's CFO and/or Managing Director. An example might be where an operational advantage arises from LTL being the client (hence paying for) a service that is currently assumed to be contracted by LTLF.

Notes

LTL employs all staff for the London Treasury and Funding London group and provides the following services:

1. *Principal portfolio management services to LTLF.* LTL charges a management fee to LTLFGP for these services, with LTLFGP receiving a priority profit share from LTLF. The management fee is estimated at £1.82m for 2024-25, down from £2.38m in 2023-24; this reduction is due to changes to apportionment models and the transfer of certain costs from LTL budget to LTLF budget. The VAT on costs associated with these services cannot be recovered.
2. *Discretionary portfolio management and treasury management services as part of the GLA's treasury management shared service and green finance services including carbon impact analysis, project appraisal and management of the GLA's Green Finance Fund.* To eliminate any potential transfer pricing issues, LTL charges the GLA a 10% mark-up for the provision of these services. The gross direct cost to the GLA for LTL's services is estimated at £1.68m for 2024-25; net of dividends arising from the mark-up, the net cost is estimated at £1.57m against £1.45m in 2023-24. A compensating saving in the 2024-25 GLA Group Treasury staff budget reflecting the transfer of activities to LTL means that the overall cost of the function is expected to remain very similar to the current year. The VAT on costs associated with these services can be recovered against the receipts.
3. *Administration, accounting and investment services including secondment of staff to FL, its two venture capital funds (GLIF and LCIF) and the UK Shared Prosperity Fund's investment readiness programme.* The costs of employing the staff and an element of shared costs are recharged to FL. This is estimated at £0.73m for 2024-25. As FL has applied to be part of the LTL VAT group, this is expected to be VAT neutral.

The investment income of LTLF, which is to be allocated to LTLF's limited partners (including the GLA), is not showed in the Budget Table; it is expected to exceed LTLF's expenses by a considerable margin. LTLF's expenses are shared by LTLF's limited partners pro-rata to their average investment over the year.

The GLA recovers a share of its payment to LTL from the participants in the GLA's treasury management shared service.

The FL, GLIF and LCIF structures are expected to generate enough cash flows to be self-sufficient.

Overall budgeted impacts are summarised below.

£000s	2023-24	2024-25	Variance
LTL direct charge to the GLA ¹	1,451	1,682	231
GLA share of LTLF's fund expenses ²	3,274	2,902	(372)
GLA Group Treasury staff costs ³	317	87	(230)
Total costs	5,042	4,671	(371)
GLA recharge to shared service participants	(135)	(240)	(105)
LTL dividend	-	(115)	(115)
Total income (excluding investment income)	(135)	(355)	(220)
Net position (excluding investment income)	4,907	4,316	(591)

¹ Cost of providing treasury management and green finance services to the GLA

² GLA share estimated at 79% in 2023-24 and 68% in 2024-25; these costs are netted off the GLA share of LTLF's investment income

³ Transfer of treasury operations from the GLA Group Treasury unit to LTL

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Budget Table for 2024-25

Consolidated Budget
LTL and Funding London Group
Period: April 24 to March 25

Entities	LTL	LTLFGP	LTLF	FL	LCIF	GLIF	Overall	Consolidation Adjustment	Total
Revenue Streams									
Loan Interest Receipts	-	-	-	-	-	3,537,631	3,537,631	-	3,537,631
Bank Interest	-	-	-	1,000	163,000	40,000	204,000	-	204,000
Recharges	-	-	-	603,922	-	-	603,922	(603,922)	(0)
Proceeds Utilised	-	-	-	-	500,000	-	500,000	-	500,000
UKSPF Grant	-	-	-	533,538	-	-	533,538	-	533,538
GLA Revenue Income	1,682,371	-	-	-	-	-	1,682,371	-	1,682,371
Management Fee LTLFGP	1,823,973	-	-	-	-	-	1,823,973	(1,823,973)	-
Staff and corporate cost re-charged to Funding London	729,652	-	-	-	-	-	729,652	(729,652)	-
Profit Share from LTLF	-	2,006,370	-	-	-	-	2,006,370	(2,006,370)	-
Investment Income	-	-	-	-	-	-	-	-	-
Total Revenue	4,235,996	2,006,370		1,138,460	663,000	3,577,631	11,621,458	(5,163,917)	6,457,540
Establishment									
IT	(46,396)	-	(116,439)	(9,964)	(2,589)	(1,978)	(177,366)	4,566	(172,799)
Communications	-	-	-	(114)	(788)	-	(903)	-	(903)
Websites/Domains	-	-	-	(1,568)	-	-	(1,568)	-	(1,568)
Postage	-	-	-	(50)	-	-	(50)	-	(50)
Printing and Stationery	(1,000)	-	-	(500)	-	-	(1,500)	-	(1,500)
Newspaper, Magazines, Journal Books	(4,414)	-	-	-	-	-	(4,414)	-	(4,414)
Misc. Expenses	-	-	-	(170)	-	-	(170)	-	(170)
Meeting Refreshments	-	-	-	(500)	(96)	-	(596)	96	(500)
Rent	(105,000)	-	-	(48,379)	(26,608)	(7,257)	(187,244)	33,865	(153,379)
Storage	-	-	-	(382)	(210)	-	(591)	210	(382)
Meeting Rooms	-	-	-	(750)	(1,800)	(750)	(3,300)	2,550	(750)
Travel, Subsistence and Events									
Travel and Expenses	(2,000)	-	-	(500)	(360)	-	(2,860)	-	(2,860)
Events	(9,996)	-	-	-	(5,000)	-	(14,996)	-	(14,996)
Financing and Other Costs									
Interest Payable	-	-	-	-	-	(1,797,122)	(1,797,122)	-	(1,797,122)
Bank Fees	(1,000)	-	-	(500)	(500)	(4,598)	(6,598)	-	(6,598)
Set-up Fee	-	-	-	-	-	(75,000)	(75,000)	-	(75,000)
Commitment	-	-	-	-	-	(18,769)	(18,769)	-	(18,769)
Monitoring	-	-	-	-	-	(32,500)	(32,500)	-	(32,500)
VAT	(82,800)	(3,676)	-	-	(24,990)	(12,780)	(124,247)	7,047	(117,200)
Staff Costs									
Salaries	(2,722,422)	-	-	(503,766)	(372,082)	(183,506)	(3,781,776)	1,059,354	(2,722,422)
Employers National Insurance	(344,026)	-	-	(64,224)	-	-	(408,250)	64,224	(344,026)
Pension Costs	(256,111)	-	-	(45,339)	-	-	(301,450)	45,339	(256,111)
Payroll Bureau Costs	(2,180)	-	-	-	-	-	(2,180)	-	(2,180)
Recruitment Fees	(32,500)	-	-	-	(11,310)	-	(43,810)	-	(43,810)
Training and Organisational Development	(33,180)	-	-	(2,000)	-	-	(35,180)	-	(35,180)
Allocation of Corporate Staff	-	-	-	(107,265)	-	-	(107,265)	107,265	-
Consultancy Fees/Contractors	(154,600)	-	(214,596)	-	-	-	(369,196)	-	(369,196)
Professional Costs									
Audit	(45,660)	(15,000)	(53,796)	(33,099)	(33,640)	(42,629)	(223,824)	-	(223,824)
Legal	(87,100)	-	(64,000)	(5,000)	(20,000)	(20,000)	(196,100)	-	(196,100)
Other Prof	(64)	(2,109)	(55,584)	(379,400)	-	-	(437,156)	-	(437,156)
Professional Memberships	(12,950)	-	-	(1,139)	(13)	(13)	(14,115)	-	(14,115)
Insurance	(39,082)	-	-	(39,286)	(5,759)	(7,142)	(91,269)	-	(91,269)
FCA/Compliance Fees	(25,321)	-	(144,953)	-	-	-	(170,274)	-	(170,274)
Accountancy	(9,479)	(1,272)	(2,067)	-	-	-	(12,818)	-	(12,818)
HR Advice	(49,871)	-	-	-	-	-	(49,871)	-	(49,871)
Allocation of Corporate Costs	-	-	-	(9,057)	-	-	(9,057)	9,057	-
Marketing, Design and Communications/External Marketing	(15,900)	-	-	-	-	-	(15,900)	-	(15,900)
Internal Management Fees	-	(1,823,973)	-	-	-	-	(1,823,973)	1,823,973	-
Fund Costs									
Fund Manager Fees	-	-	(1,084,800)	-	-	-	(1,084,800)	-	(1,084,800)
Administration Fees	-	-	(174,300)	-	-	-	(174,300)	-	(174,300)
Custody Fees	-	-	(49,875)	-	-	-	(49,875)	-	(49,875)
Depositary Fees	-	-	(264,000)	-	-	-	(264,000)	-	(264,000)
Performance Fees	-	-	(31,800)	-	-	-	(31,800)	-	(31,800)
Transaction Fees	-	-	(6,360)	-	(80,000)	-	(86,360)	-	(86,360)
Priority Profit Share	-	-	(2,006,370)	(80,000)	-	(685,131)	(2,771,501)	2,006,370	(765,131)
Fund Manager Audit	-	-	-	-	-	(60,036)	(60,036)	-	(60,036)
Fund Manager Other Costs	-	-	-	(9,000)	-	(469,387)	(478,387)	-	(478,387)
Performance Fees	-	-	-	-	-	-	-	-	-
Total Expenses	(4,083,053)	(1,846,030)	(4,268,940)	(1,341,952)	(585,746)	(3,418,598)	(15,544,318)	5,163,917	(10,380,401)
Profit/(loss) before Tax	152,943	160,341	(4,268,940)	(203,492)	77,254	159,034	(3,922,861)	-	(3,922,861)
Corporation Tax	(38,236)	(40,085)	-	-	-	-	(78,321)	-	(78,321)
Profit/(loss) after Tax	114,707	120,255	(4,268,940)	(203,492)	77,254	159,034	(4,001,182)	-	(4,001,182)

Note 1: the GLA revenue income for LTL is the cost of providing treasury management and green finance services to the GLA

Note 2: LTL's investment income is not showed in this budget table

Note 3: LTLF's investment income is not showed in this budget table; it is expected to exceed LTLF's expenses by a considerable margin

Note 4: the FL, GLIF and LCIF structures are expected to generate enough cash flows to be self-sufficient