

**DMPC Decision – PCD 1821****Title: Treasury Management Strategy Statement (TMSS) 2025/26****Executive Summary:**

The Treasury Management Strategy Statement (TMSS) sets out how MOPAC will manage its borrowings and investments over the short and medium term.

The GLA will continue to implement the MOPAC TMSS via the Treasury Management Shared Service arrangement. MOPAC is a member of the London Treasury Liquidity Fund LP (LTLF) who manage all MOPAC investments to generate financial and risk reduction benefits.

The MOPAC TMSS will make use of both the London Treasury Liquidity Fund LP (LTLF) for investment purposes and has the capacity if required to make investments in its own name. This is designed to spread counter party risk.

The external debt and treasury management limits and indicators in Appendix 1 are consistent with the MOPAC medium term financial strategy and 2025-26 budget.

**Recommendation:**

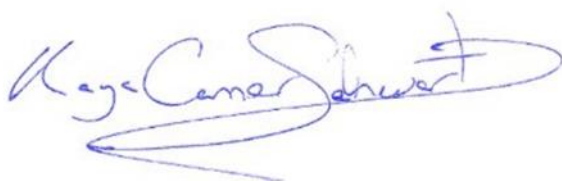
The Deputy Mayor for Policing and Crime is recommended to:

1. Approve the 2025-26 Treasury Management Strategy Statement and supporting detail as set out in Appendix 1.

**Deputy Mayor for Policing and Crime**

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.

**Signature****Date 31/03/2025**

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC**

### **1. Introduction and background**

- 1.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services (the CIPFA TM Code) and the Prudential Code require that MOPAC adopts a Treasury Management Strategy Statement (TMSS), Treasury Management Policy Statement and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the Ministry of Housing, Communities and Local Government (MHCLG) Guidance on Local Government Investments.
- 1.2. The TMSS 2025/26 defines the policies and objectives of MOPAC's treasury management activities and roles and responsibilities. In accordance with the scheme of delegation and consent it is the responsibility of the Deputy Mayor to approve the policy and strategy each year which are set out at Appendix 1. This provides an opportunity to review the current arrangements, and MOPAC's risk appetite.
- 1.3. The GLA Group Treasury services provide the day to day management and delivery of the MOPAC treasury management function.

### **2. Issues for consideration**

- 2.1. The MOPAC TMSS, in line with the CIPFA Code of Practice, states that investment priorities are security first, liquidity second and then return.

#### Borrowing

- 2.2. Borrowing will only be undertaken where necessary and subject to the profile of capital spend, capital receipts and other funding streams.
- 2.3. The approved 2025/26 capital programme funding includes provision for new borrowing of £287.9m. MOPAC currently maintains an under-borrowed position, such that the capital financing requirement has not been fully funded with loan debt but by using the cash supporting MOPAC's reserves, balances and cashflow, reducing the need to borrow externally. This is unlikely to be an option in the future as reserve balances are set to reduce significantly.
- 2.4. The delivery of the future capital programme, budgeted revenue savings, use of reserves and the phasing of new asset disposals will impact the cashflow, and will continue to be kept under review.
- 2.5. The proposed strategy includes that if necessary MOPAC borrow temporarily to cover any expected shortfall and where this represents prudent management of MOPACs affairs. This reduces the risks of holding excess balances and the cost of carry. Where an opportunity to reschedule existing debt is identified this will be undertaken within the limits of this strategy.

#### Investment

2.6. The MOPAC Group maintains a low risk appetite consistent with good stewardship of public funds. The MOPAC Group's investment priorities will be security first, portfolio liquidity second and then yield (return). The MOPAC Group will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity and within the Group's risk appetite. Investments are managed in such a way as to make realised losses at the portfolio level extremely unlikely, while capturing the optimum return within these constraints.

2.7. All MOPAC investments are carried out in line with the MOPAC TMSS.

#### Prudential Indicators and Treasury Management Limits

2.8. Appendix 1C sets out the proposed 2025/26 range of prudential indicators and Treasury Management limits.

#### Management Arrangements

2.9. MOPAC has an Arrangement for Delegation for the treasury management function to the GLA. It will be the responsibility of the GLA to ensure that the function is adequately resourced and controlled.

2.10. The MOPAC Chief Finance Officer will receive regular reporting from the GLA/LTLF on risks, performance, progress and strategic financing advice. Treasury Management advice will be provided by MUFG Corporate Markets, or MUFG (formerly Link Group).

2.11. GLA Group Treasury will liaise with MOPAC/MPS for the management of cash flow.

### **3. Financial Comments**

3.1. The cost of borrowing for 2025/26 is currently estimated to be £50.0m for interest payable and £108.2m for minimum revenue provision. The interest payable is based on an assumed average interest rate of 4.53% so any increase above this could have a significant impact on the interest payable budget given the external borrowing required to fund the capital programme (new external borrowing is forecast to be £337m in 2025/26).

3.2. Interest receivable is estimated at £13.3m. Budgets for this income and expenditure are included in the MOPAC/MPS budget for 2025/26.

3.3. The cost of the shared service arrangement with the GLA will be met from within existing resources.

### **4. Legal Comments**

4.1. Under Section 1 of the Local Government Act 2003, MOPAC as a local authority defined under s23 of that Act, may borrow money for any purpose relevant to its functions under any enactment, or for the purpose of the prudent management of its financial affairs.

4.2. The Mayor is required under s3 of the Local Government Act 2003 to determine how much money the GLA and each functional body (which includes MOPAC) can afford to

borrow. In complying with this duty, Regulation 2 of the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 requires the Mayor to have regard to the Prudential Code for Capital Finance in Local Authorities when determining how much MOPAC can afford.

- 4.3. Paragraph 4.7 of the MOPAC Scheme of Delegation and Consent provides that the DMPC has authority for the approval of “ The annual TMSS, which will include details of MOPAC investment and borrowing strategy”.
- 4.4. MOPAC’s scheme of delegation and consent provides that the Chief Finance Officer, as the s127 officer, is responsible for the proper administration of the MOPAC’s financial affairs. Paragraph 6.3 states that the following functions are reserved to the MOPAC Chief Finance Officer “Approval of the arrangements for the Treasury Management function, including the day to day management, production of TMSS and supporting policies and procedures, subject to DMPC approval of the strategy”
- 4.5. An investment strategy statement must be completed as part of risk management and good governance. The report is submitted in compliance with TMSS and DCLG requirements in this regard.

## **5. Commercial Issues**

- 5.1. The provision of the Treasury Management shared service arrangement is on a cost recovery basis. The benefits of the shared service function are set out above.

## **6. GDPR and Data Privacy**

- 6.1. MOPAC will adhere to the Data Protection Act (DPA) 2018 and ensure that any organisations who are commissioned to do work with or on behalf of MOPAC are fully compliant with the policy and understand their GDPR responsibilities.
- 6.2. The proposal does not use personally identifiable data of members of the public therefore there are no GDPR issues to be considered.

## **7. Equality Comments**

- 7.1. MOPAC is required to comply with the public sector equality duty set out in section 149(1) of the Equality Act 2010. This requires MOPAC to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations by reference to people with protected characteristics. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 7.2. There are no equality or diversity implications arising from this report.

## **8. Background/supporting papers**

Treasury Management Strategy Statement 2025/26



**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOIA) and will be made available on the MOPAC website following approval.

If immediate publication risks compromising the implementation of the decision it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

**Part 1 Deferral:**

Is the publication of Part 1 of this approval to be deferred? NO

If yes, for what reason:

Until what date:

**Part 2 Confidentiality:** Only the facts or advice considered as likely to be exempt from disclosure under the FOIA should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a **Part 2** form – NO

**ORIGINATING OFFICER DECLARATION**

*Tick to confirm statement (✓)*

**Financial Advice:**

The Strategic Finance and Resource Management Team has been consulted on this proposal.

✓

**Legal Advice:**

Legal advice is not required

✓

**Equalities Advice:**

Equality and diversity issues are covered in the body of the report.

✓

**Commercial Issues**

Commercial issues are covered in the body of the report.

✓

**GDPR/Data Privacy**

GDPR compliance issues are covered in the body of the report .

✓

**Drafting Officer**

Annabel Cowell has drafted this report in accordance with MOPAC procedures.

✓

**Director/Head of Service:**

The MOPAC Chief Finance Officer and Director of Corporate Services has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.

✓

**Chief Executive Officer**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature \_\_\_\_\_



Date 31/03/2025

## **Treasury Management Strategy Statement 2025/26**

### **Introduction/Background**

1) The Treasury Management Strategy Statement (TMSS) sets out the Treasury Management activities of the MOPAC Group for the year 2025/26.

2) This TMSS has been prepared with regard to the following legislation and guidance:

- The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Code) and associated Guidance Notes
- The CIPFA Prudential Code and associated Guidance Notes
- The Local Government Act 2003
- The Ministry of Housing, Communities and Local Government (MHCLG) Guidance on Local Government Investments and
- The MHCLG Capital Finance Guidance on Minimum Revenue Provision (MRP).

3) The TM Code defines treasury management activities as:

‘The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.’

4) This TMSS therefore takes into account the impact of the MOPAC Group’s Revenue Budget, Capital Spending Plan and the Balance Sheet position and covers the following areas:

- Economic Background
- Prospects for Interest Rates
- Forecast Treasury Management Position
- Borrowing Strategy
- Policy on Borrowing in Advance of Need
- Debt Rescheduling
- Investment Strategy

- Use of External Service Providers
- Treasury Training
- Treasury Management Policy Statement (Appendix A)
- Minimum Revenue Provision (MRP) Policy Statement (Appendix B)
- Prudential Code Indicators and Treasury Management Limits (Appendix C)
- Treasury Management Practices: Main Principles (Appendix D)
- The Investment Strategy (Appendix E)

5) In covering the above areas, as per its Treasury Management Policy Statement (Appendix A), the MOPAC Group regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Responsibility for risk management and control lies within the MOPAC Group and cannot be delegated to any outside organisation.

6) The Treasury Management risks the MOPAC Group is exposed to are:

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

7) These risks are further discussed in Appendix D (Treasury Management Practices: Main Principles)

8) The MOPAC Group formally adopts The TM Code through the following provisions

- i. The MOPAC Group will create and maintain as the cornerstones for effective treasury management:
  - a Treasury Management Policy Statement stating the policies, objectives and approach to risk management of its treasury management activities and
  - suitable Treasury Management Practices (TMPs), setting out the manner in which the MOPAC Group will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the proposed policy statement and TMPs follow the recommendations contained in Sections 6 and 7 of the TM Code, subject only to amendment where necessary to reflect the circumstances of the MOPAC Group. Such amendments do not result in the MOPAC Group materially deviating from the TM Code's key principles.

- ii. The Deputy Mayor for Policing and Crime will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in



advance of the year, quarterly and a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

- iii. The Deputy Mayor for Policing and Crime holds responsibility for the implementation and regular monitoring of the MOPAC Group's treasury management policies and practices and delegates treasury management decisions within the parameters of the TMSS to the MOPAC Group Chief Finance Officer (CFO) and the execution and administration of those decisions to the Greater London Authority (GLA), pursuant to Section 401(A) of the GLA Act 1999. The MOPAC Group CFO will act in accordance with the organisation's policy statement and TMPs and, if this officer is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- iv. The MOPAC Group has delegated to the MOPAC Group Audit Panel the responsibility for ensuring effective scrutiny of the treasury management strategy and policies.
- v. Should there be a need to revise the Treasury Management Strategy, the Treasury Management Policy Statement, the Minimum Revenue Provision Policy Statement, the Prudential Code Indicators and Treasury Management Limits, the Investment Strategy and the Treasury Management Practices at times other than those stated above, then these updates will be submitted to the Deputy Mayor for Policing and Crime for approval with the exception for the Authorised limit which can only be changed by Mayoral Decision and consultation with the London Assembly. The MOPAC Group will be fully consulted if any such changes are required.
- vi. Should the MOPAC Group 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 Deputy Mayor for Policing and Crime.

## Economic Background

The MUFG Corporate Markets, or MUFG (formerly Link Group), has been appointed as treasury advisors to the GLA and the treasury management shared service Partners. The information and commentary provided in this section are from MUFG.

MUFG provided the following forecasts on 10th February 2025. MUFG expect the Monetary Policy Committee (MPC) to reduce Bank Rate from its current level of 4.50% by 1.00% to 3.50% by the end of 2027/28. The table below provides forecasts for Bank Rate, average earnings and PWLB certainty rates (gilt yields plus 0.80%).

MUFG Corporate Markets Interest Rate View 10.02.25													
	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28
BANK RATE	4.50	4.25	4.25	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.50	4.30	4.30	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.50	3.50	3.50
6 month ave earnings	4.40	4.20	4.20	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50	3.50	3.50
12 month ave earnings	4.40	4.20	4.20	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50	3.50	3.60
5 yr PWLB	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.40	4.30	4.20	4.20	4.10	4.00
10 yr PWLB	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.70	4.60	4.50	4.50	4.40	4.40
25 yr PWLB	5.80	5.70	5.60	5.50	5.40	5.30	5.20	5.10	5.00	5.00	4.90	4.90	4.80
50 yr PWLB	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.70	4.60	4.60	4.50

Source: MUFG

It should be noted that the forecasts above represent a central estimate and there remains considerable uncertainty around the eventual path of interest rates over the forecast horizon.

## Forecast Treasury Management Position

9) The MOPAC Group's forward treasury portfolio position is summarised below. The table shows the actual external borrowing against the underlying capital borrowing requirement (the Capital Financing Requirement – CFR), highlighting any over or under borrowing. The table compares the underlying borrowing requirement to the balance sheet capacity to support internal borrowing, demonstrating that a shortfall arises in 2025-26, which will need to be met from new external borrowing. The table assumes that investment balances are maintained at zero. In practice, investment balances are likely to be positive in order to provide an allowance for short term liquidity needs.

<b>Table 1: Forecast Treasury Position as at 31 March</b>	<b>2024-25 Forecast</b>	<b>2025-26 Estimate</b>	<b>2026-27 Estimate</b>	<b>2027-28 Estimate</b>
<b>External Borrowing</b>				
Long term borrowing	873.0	867.4	776.8	760.2
Short term borrowing	75.0	0.0	0.0	0.0
<b>Total External Borrowing at 31 March</b>	<b>948.0</b>	<b>867.4</b>	<b>776.8</b>	<b>760.2</b>
<b>Other Long-Term Liabilities</b>				
PFI Liability	36.2	26.7	17.1	7.4
Finance Lease Liability	6.0	6.0	6.0	6.0
<b>Total Other Long-Term Liabilities at 31 March</b>	<b>42.2</b>	<b>32.7</b>	<b>23.1</b>	<b>13.3</b>
<b>Total Gross Debt</b>	<b>990.2</b>	<b>900.1</b>	<b>799.8</b>	<b>773.5</b>
Capital Financing Requirement	1,315.1	1,494.8	1,693.5	1,797.4
Less Other Long-Term Liabilities	-42.2	-32.7	-23.1	-13.3
<b>Underlying Capital Borrowing Requirement</b>	<b>1,272.9</b>	<b>1,462.1</b>	<b>1,670.4</b>	<b>1,784.0</b>
<b>Under/(Over) Borrowing Position</b>	<b>324.9</b>	<b>594.7</b>	<b>893.7</b>	<b>1,023.9</b>
Cover for Under/(Over) Borrowing Position	352.9	258.2	241.8	226.3
<b>Estimated Shortfall / (Surplus available for Investments)</b>	<b>-28.0</b>	<b>336.5</b>	<b>651.9</b>	<b>797.6</b>
Investments as at 31 March	28.0	0.0	0.0	0.0
<b>Net Borrowing</b>	<b>920.0</b>	<b>867.4</b>	<b>776.8</b>	<b>760.2</b>

10)

## Borrowing Strategy

### Delegation/Authorisation

11) The arrangements for borrowing, including the selection and the type and structure of debt instruments, are delegated to the MOPAC Group CFO, provided no decision contravenes the limits set out in the prevailing TMSS.

12) The MOPAC Group CFO is:

- authorised to approve borrowing by the MOPAC Group, for the purposes of financing capital expenditure
- authorised to make use of cash balances to fund internal borrowing when it is considered advantageous
- authorised to borrow temporarily within the Authorised Limit, where this represents prudent management of the MOPAC Group'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.
- authorised to borrow temporarily above the Authorised Limit where, and only where the amount of the increased limit represents the amount of any delayed payment which is due to the MOPAC Group 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.

13) All borrowing decisions should be reported to the MOPAC Group Audit Panel at the first opportunity within the treasury management cycle.

### **Internal Borrowing Approach**

14) When using cash balances to fund internal borrowing, the MOPAC Group acknowledges that this may reduce credit risk and short-term net financing costs. However, any decision to undertake internal borrowing will be tempered by the following considerations:

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

### **Policy on Borrowing in Advance of Need**

15) The MOPAC Group will not borrow 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 MOPAC Group can ensure the security of such funds.

16) In determining whether borrowing will be undertaken in advance of need the MOPAC Group will:

- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets are considered to be affordable and are within the forward approved Capital financing requirement estimate
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships and

- consider the alternative interest rates bases available, the most appropriate periods to fund and repayment profiles to use.

## Debt Rescheduling

17) 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 that there are prohibitively expensive premia in relation to achievable savings. This emphasises the importance of attempting to optimise maturity profiles at the point of entering into borrowings.

## 18) Investment Strategy

19) The MOPAC Group maintains a low risk appetite consistent with good stewardship of public funds. The MOPAC Group's investment priorities will be security first, portfolio liquidity second and then yield (return). The MOPAC Group will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity and within the Group's risk appetite. Investments are managed in such a way as to make realised losses at the portfolio level extremely unlikely, while capturing the optimum return within these constraints.

20) The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decision to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end investment balances.

<b>Table 2: Core Funds and Expected Investment Balances</b>	<b>2024-25 Forecast</b>	<b>2025-26 Estimate</b>	<b>2026-27 Estimate</b>	<b>2027-28 Estimate</b>
Fund Balances/Reserves	176.0	131.3	114.9	99.4
Provisions	46.9	46.9	46.9	46.9
Other	0.0	0.0	0.0	0.0
<b>Total Core Funds</b>	<b>222.9</b>	<b>178.2</b>	<b>161.8</b>	<b>146.3</b>
Working Capital Surplus	130.0	80.0	80.0	80.0
Internal borrowing	324.9	258.2	241.8	226.3
<b>Expected Investments</b>	<b>28.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

21)

22) MOPAC's Group's short-term cash balances are managed by the GLA's subsidiary, LTL and third-party asset managers appointed, through LTLF. The investment strategy for this arrangement is included within Appendix E but is subject to the agreement of all participating authorities; the MOPAC Group CFO is authorised, having taken proper advice from MUFG or other suitably qualified advisors, to agree amendments to this, provided that the underlying exposures of any amended strategy do not breach the limits set out in Appendix E.

## 23) The Investment Strategy 2025/26

24) The Investment strategy is considered and agreed by all Partners before the start of each financial year. A common approach permits maximum efficiency of the group shared service.

25) Additionally, the MOPAC Group CFO may from time to time instruct LTL to invest sums independently, for instance, if the MOPAC Group identifies balances which are available for longer term investment, after proper consideration of expected future cash flows, as at the time of investment. It is proposed that the MOPAC Group adopt an identical set of parameters for such investments as those detailed in Appendix E. However, regard must always be given to the Treasury Managements Limit 'Limits for Principal Sums Invested for Periods Greater than 365 Days' (Appendix C section 6.3).

26) Following the transfer of funds to the GLA for investment, the MOPAC Group aims to have a daily net zero balance across the suite of NatWest accounts it operates.

27) Whilst the MOPAC Group sets its Annual Investment Strategy at the start of each financial year, this need not be a once-a-year event, and the initial investment strategy may be replaced by a revised Strategy, at any time during the year, on one or more occasions, subject to the approval of the MOPAC Group. All Investment Strategies approved by the MOPAC Group will be made available to the public free of charge, on print or online.

## Treasury Management Budget

28) The Table below provides a breakdown of the treasury management budget.

<b>Table 3: Treasury Management Budget</b>	<b>2024-25 Forecast</b>	<b>2025-26 Estimate</b>	<b>2026-27 Estimate</b>	<b>2027-28 Estimate</b>
Interest payable	37.0	50.0	58.9	66.3
Interest receivable	-16.4	-13.3	-13.3	-13.3
Minimum revenue provision for debt repayment	87.9	108.2	123.7	142.6
<b>Total</b>	<b>108.5</b>	<b>144.9</b>	<b>169.3</b>	<b>195.7</b>

29)

30) Assumptions behind the 2025/26 Budget are:

- Average rates achievable on investments will be 4.50%
- Average rates payable on new borrowing will be 4.53%.
- The MRP charge is in line with the MOPAC's MRP Policy.

## Use of External Service Providers

31) The MOPAC Group uses the MUFG Corporate Markets as its external treasury management advisor under a joint arrangement with the Greater London Authority. Whilst recognising the specialist skills and resources such advisors can provide, the MOPAC Group recognises that responsibility for treasury management decisions remains wholly with the organisation and will ensure that undue reliance is not placed upon external service providers. The MOPAC Group monitors and maintains the quality of this service by regular review and assessment.

32) MOPAC does not directly employ any external fund managers, however in the event of appointment, appointees will comply with this and subsequent Treasury Strategies. In addition, before any appointment is made, a fully costed appraisal would be performed and approval from MOPAC obtained.

33) NatWest Plc are the MOPAC Group's bankers and continue to provide a competitive service under an annual rolling contract.

34) In addition to the GLA's wholly owned investment management subsidiary, LTL, under the London Treasury Liquidity Fund (LTLF), uses two external fund managers, TwentyFour Asset Management and Prytania Asset Management, for the Fund's Residential Mortgage Backed Securities (RMBS) investments. These and any future appointed managers must be authorised and regulated by the Financial Conduct Authority.

The LTLF uses State Street Bank and Northern Trust as custodians of the any tradeable instruments (such as Treasury Bills). The investment policy is that any custodian (or sub-custodian, as may be the case) shall meet the credit criteria for 12 month investments as set out in the Investment Strategy (prior to Credit Default Swaps Market or other temporary adjustments). This restriction will apply to any custodian (or sub-custodian) appointed directly by MOPAC.

## **Treasury Training**

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

Member/Senior officer training is available from the MOPAC's external treasury advisors (MUFG Corporate Markets) and will be arranged as required.

LTL officers performing regulated roles are obliged to undertake regulatory and technical training as required from time to time by LTL's Board.

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

LTL officers supported by MUFG, maintain a regular training programme available to all participating in the shared service and is arranged as required.

Notwithstanding the above, the training needs of Treasury officers and committee members are periodically reviewed.

## **Appendix A: Treasury Management Policy Statement**

### **1. Policy Statement**

- 1.1 This policy statement is in the form recommended by the CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes, Section 6.
1. The MOPAC Group defines its treasury management activities as:
  2. 'The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.'
  3. The MOPAC Group regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the MOPAC Group, and any financial instruments entered into to manage those risks.
  4. The MOPAC Group acknowledges that effective treasury management will provide support towards the achievement of its 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.

## **Appendix B: Minimum Revenue Provision (MRP) Policy Statement**

### **1. Policy Statement**

- 1.1 MRP is the amount out of revenue funding set aside each year as a provision for debt i.e. the provision in respect of capital expenditure financed by borrowing or credit arrangements.
- 1.2 Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) provides that for the financial year 2007/08 and subsequent financial years, the detailed MRP calculation is to be replaced with the requirement that:
- 1.3 'A Local Authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent'.
- 1.4 The guidance also recommends that the annual MRP Policy is presented to the MOPAC Group for approval before the start of the financial year to which it relates. Any in-year changes must also be submitted to the MOPAC Group for approval.
- 1.5 For 2025/26, the MOPAC Group will make a minimum revenue provision (MRP) in accordance with: -
  - (a) the capital financing requirement method for any borrowing undertaken prior to 2008/09, and for all borrowing undertaken since that date supported through the revenue grant settlement, and
  - (b) the asset life method for unsupported borrowing undertaken in 2008/09 and subsequent years as permitted by the flexibilities provided under the Prudential Code.

In accordance with The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting, MRP in respect of (a) Private Finance Initiative schemes and (b) assets subject to finance leases, both of which are now recorded as long term liabilities, is made by recognition of an element of the annual unitary charge as repayment of principal.



## Appendix C: CIPFA Prudential Code Indicators and Treasury Management Limits

### 1.0 Background

- 1.1 The Prudential Code has been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Prudential Code has a central role in capital finance decisions, including borrowing for capital investment. Its key objectives are to provide a framework for local authority capital finance that will ensure for individual local authorities that capital expenditure plans are affordable all external borrowing and other long-term liabilities are within prudent and sustainable levels and that treasury management decisions are taken in accordance with good professional practice.
- 1.2 The Prudential Code also has the objective of being consistent with and supporting local strategic planning, local asset management planning and proper option appraisal.
- 1.3 Any such framework for the internal control and self-management of capital finance must therefore deal with all three of the following elements:
- Capital expenditure plans
  - External debt
  - Treasury Management
- 1.4 To ensure compliance with the Prudential Code in relation to the above elements, the MOPAC Group is required to set and monitor a number of Prudential Indicators. The setting of these Prudential Indicators is a circular rather than a linear process. For example, the level of external debt will follow on from the MOPAC Group's capital plans, revenue forecasts and treasury management strategy. However, if initial estimates would result in outcomes that would not be affordable or prudent, then plans for capital and/or revenue are reconsidered.
- 1.5 Prudential Indicators and Treasury Management Limits must be approved by the MOPAC Group and any subsequent changes to these Indicators and Limits must also be approved by the MOPAC Group. As stated previously the one exception to this relates to the Authorised limit which can only be changed by Mayoral Decision and consultation with the London Assembly.
- 1.6 These Prudential Indicators are set out below and reviewed for compliance.

### 2.0 Capital Expenditure

#### 2.1 Capital Expenditure

- 2.1.1 Capital expenditure results from the approved capital spending plan and proposed borrowing limits. It is the key driver of Treasury Management activity.
- 2.1.2 All capital expenditure is stated, not just that covered by borrowing.

Capital Expenditure	2024-25 Forecast	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate
Total Capital Expenditure	321.6	338.4	362.7	290.0
Financed by:				

Capital Grants & Third Party Contributions	53.5	36.8	32.6	31.3
Revenue Contributions	0.0	0.0	3.3	3.3
Capital Receipts	3.0	13.8	4.3	8.9
<b>Net financing need for the year</b>	<b>265.1</b>	<b>287.9</b>	<b>322.4</b>	<b>246.5</b>

## 2.2. Capital Financing Requirement (CFR) - the Authority's borrowing need

- 2.2.1 The capital financing requirement is an indication of the underlying need to borrow for capital purposes. It is the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resource.
- 2.2.2 It is essentially a measure of the Authority's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been charged to the revenue account, will increase the CFR. The annual MRP acts to spread the revenue impact over the aggregate useful life of the assets in question.

<b>Capital Financing Requirement (CFR)</b>	<b>2024-25 Forecast</b>	<b>2025-26 Estimate</b>	<b>2026-27 Estimate</b>	<b>2027-28 Estimate</b>
<b>Total CFR*</b>	1,315.1	1,494.8	1,693.5	1,797.4
<b>Movement in CFR</b>	177.2	179.7	198.7	103.9
<b>Movement in CFR represented by</b>				
Net financing need for the year (see Capital Expenditure table)	265.1	287.9	322.4	246.5
Less Capital receipts to repay borrowing	0.0	0.0	0.0	0.0
Less MRP/VRP** and other financing movements	87.9	108.2	123.7	142.6
<b>Movement in CFR</b>	<b>177.2</b>	<b>179.7</b>	<b>198.7</b>	<b>103.9</b>

\*The MRP/VRP includes PFI/finance lease annual principal payments

## 3.0 **External Debt Prudential Indicators**

### 3.1 Authorised Limit for External Debt

- 3.1.1 The Authorised limit is the expected maximum borrowing needed with some headroom for unexpected developments such as unusual cash movements.
- 3.1.2 For the purposes of the Prudential Code borrowing is distinguished from other long-term liabilities.
- 3.1.3 The Authorised limit is the statutory limit that is determined, by the Mayor in consultation with the Assembly, under section 3 (1) of the Local Government Act 2003. It is intended to be an absolute ceiling which cannot be exceeded, except as provided under section 5 of the Local Government Act 2003, where payments expected but not yet received can temporarily result in the limit being exceeded, provided the original setting of the limit had not taken into account any delay in receipt of the payment.

<b>Authorised Limit for External Debt</b>	<b>2024-25 Revised</b>	<b>2025-26 Estimate</b>	<b>2026-27 Estimate</b>	<b>2027-28 Estimate</b>
Borrowing	1,114.4	1,389.8	1,592.6	1,715.2
Other long-term liabilities	170.0	140.4	111.7	81.5
<b>Total</b>	<b>1,284.4</b>	<b>1,530.2</b>	<b>1,704.3</b>	<b>1,796.7</b>

### 3.2 Operational Boundary for External Debt

- 3.2.1 The operational boundary is based on the same estimates as the authorised limit. However, it reflects an estimate of the most likely prudent but not worst-case scenario. It equates to the maximum level of external debt under the capital spending plans approved by the Mayor and excludes the headroom included within the authorised limit.
- 3.2.2 The Operational Boundary is set as a warning signal that external debt has reached a level nearing the Authorised limit and must be monitored carefully. It is probably not significant if the Operational Boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the Operational Boundary would be significant, requiring further investigation and action as appropriate.

<b>Operational Boundary for External Debt</b>	<b>2024-25 Revised</b>	<b>2025-26 Estimate</b>	<b>2026-27 Estimate</b>	<b>2027-28 Estimate</b>
Borrowing	989.4	1,264.8	1,467.6	1,590.2
Other long-term liabilities	170.0	140.4	111.7	81.5
<b>Total</b>	<b>1,159.4</b>	<b>1,405.2</b>	<b>1,579.3</b>	<b>1,671.7</b>

### 3.3 Gross Debt and the Capital Financing Requirement

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

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

<b>Gross Debt and the Capital Financing Requirement</b>	<b>2024-25 Forecast</b>	<b>2025-26 Estimate</b>	<b>2026-27 Estimate</b>	<b>2027-28 Estimate</b>
Gross Debt at 31 March	990.2	900.1	799.8	773.5
Capital Financing Requirement	1,315.1	1,494.8	1,693.5	1,797.4

## 4.0 Affordability Prudential Indicators

### 4.1 Ratio of Net Financing Costs to Net Revenue Stream

- 4.1.1 This indicator compares the total principal and net interest payments on external debt to the overall revenue spending of the MOPAC Group.

Net Financing Costs to Net Revenue Stream	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate
Total	3.1%	3.9%	4.5%	5.1%

## 5.0 Treasury Management Prudential Indicator

- 5.1 The Treasury Management Prudential Indicator requires the adoption of the latest version of the CIPFA Code of Practice for Treasury Management in the Public Services.
- 5.2 The MOPAC Group has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

## 6.0 Treasury Management Limits on Activity

### 6.2 Limits for Maturity Structure of Borrowing

- 6.2.1 Local Authorities are exposed to the risk of having to refinance debt at a time in the future when interest rates may be volatile or uncertain. The maturity structure of borrowing indicator is designed to assist Authorities in avoiding large concentrations of debt that has the same maturity structure and would therefore need to be replaced at the same time. The indicator is calculated as the amount of projected borrowing that is maturing in each period expressed as a percentage of total projected borrowing. For each maturity period an upper and lower limit is set.
- 6.2.2 The maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment. Where the lender has the right to increase the interest rate payable without limit, the maturity date will be deemed to be the next call date.

Limits for Maturity Structure of Borrowing	Upper Limit	Lower Limit
	%	%
Under 12 months	50.00	0.00
12 months to 2 years	30.00	0.00
2 years to 5 years	35.00	0.00
5 years to 10 years	45.00	0.00
10 years to 20 years	45.00	0.00
20 years to 30 years	60.00	0.00
30 years to 40 years	35.00	0.00
40 years to 50 years	30.00	0.00

- 6.2.3 The capital strategy implies that a significant amount of external borrowing will need be undertaken over the medium term (see forecast treasury position above). The upper limits on the maturity structure of borrowing have been widened by between 10 and 15% compared to the limits in place for 2024-25 in order to facilitate new external borrowing, enabling the organisation to optimise the balance between cost and risk management; ensure borrowing can be matched

with the useful asset lives of the assets being financed; and to enable any potential debt portfolio restructuring. 6.3

#### Limits for Principal Sums Invested for Periods Greater than 365 Days

6.3.1 This indicator seeks to contain the risk inherent in the maturity structure of an Authority's investment portfolio, since investing too much for too long could:

- adversely impact on the MOPAC Group's liquidity and in turn its ability to meet its payment obligations and,
- also lead to the loss of some of its principal if it is forced to seek early repayment or redemption of principal sums invested.

6.3.2 Under this indicator the MOPAC Group is therefore required to set an upper limit for each financial year period for the maturing of its long-term investments.

6.3.3 This limit does not apply to externally managed funds or to pooled monies within the LTLF. This is one of the key benefits of the pooled arrangement, allowing MOPAC to obtain diversification and returns that would not be possible on a standalone basis.

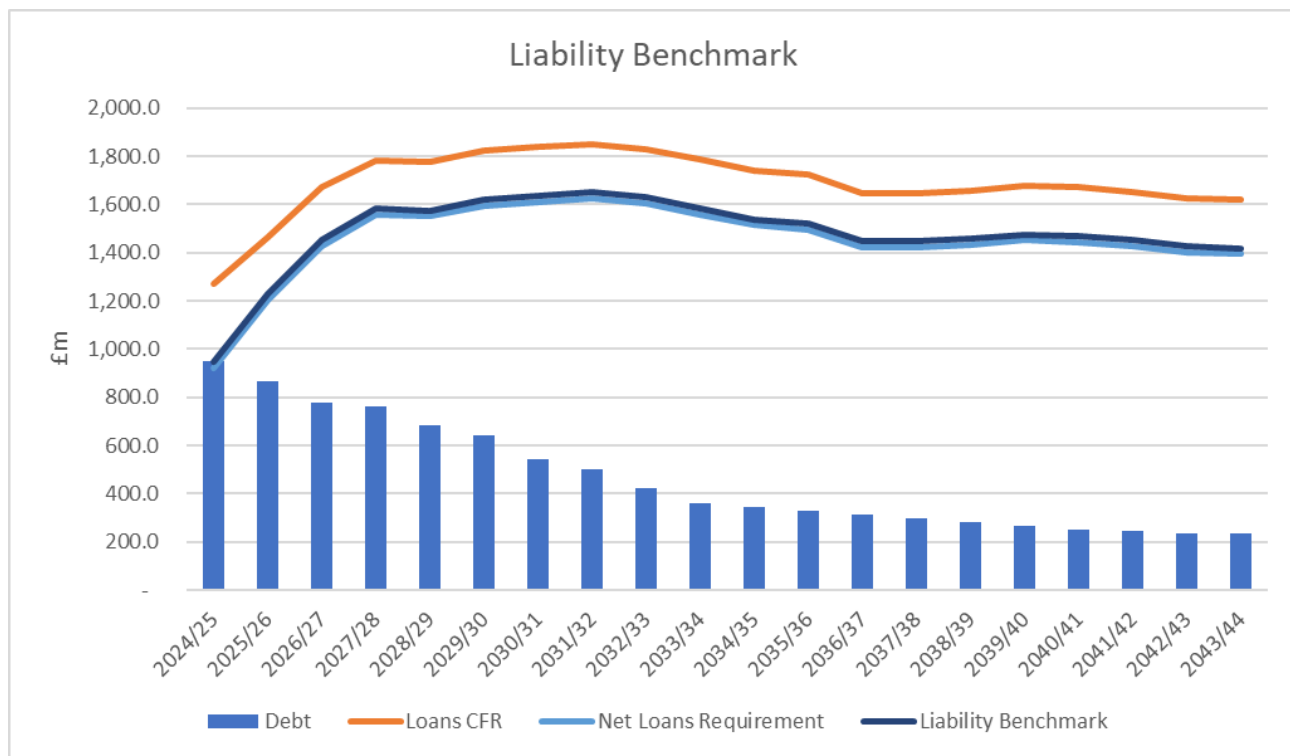
Upper limit for principal sums invested for longer than 365 days	Maximum principal sums invested >365 days		
	2023-24	2024-25	2025-26
Principal sums invested for longer than 365 days	0.00	0.00	0.00

#### **7.0 Liability Benchmark**

7.1.1 The Authority is required to estimate and measure the forthcoming financial year and the following two financial years, as a minimum.

7.1.2 There are four components to the LB: -

- Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.
- Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- Net loans requirement:** this shows the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.



- 7.1.3 The chart indicates a sizeable gap between external borrowing and the liability benchmark. The authority's 20 year capital strategy involves a significant increase in the Capital Financing Requirement over the medium to long term.
- 7.1.4 A small portion of the authority's CFR is expected to be financed via internal borrowing, supported by reserves, provisions and a working capital surplus.
- 7.1.5 However, the benchmark demonstrates a clear need to undertake new external borrowing in the future.

## **Appendix D: Treasury Management Practices: Main Principles**

### **1.0 INTRODUCTION**

- 1.1 The Treasury Management Practices (TMPs): Main Principles below set out the manner in which the MOPAC Group will seek to achieve its Treasury policies and objectives. These TMPs: Main Principles follow the wording recommended by the latest edition of the CIPFA Treasury Management Code.
- 1.2 TMPs: Main Principles are supported by TMPs: Schedules, which provide specific details of the systems and routines employed and the records to be maintained to deliver the TMPs: Main Principles. These Schedules are maintained and updated as necessary, being operational procedures and forming an integral part of the MOPAC Group's treasury management manual.
- 1.3 Approval and monitoring of TMPs is a matter for local decision. As such the TMPs: Principles will be approved by the MOPAC Group and monitored by the MOPAC Group CFO and annually reviewed by the MOPAC Group before the start of the year.
- 1.4 TMPs: Schedules will be approved, monitored and annually reviewed by the MOPAC Group CFO
- 1.5 Scrutiny of the approval and monitoring of TMPs will be performed by the MOPAC Group Audit Panel following recommendations by the MOPAC Group CFO.

### **2.0 TMP1 RISK MANAGEMENT**

#### **2.1 General statement**

- 2.1.1 The MOPAC Group 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 MOPAC Group's objectives in this respect, all in accordance with the procedures set out in TMP6 'Reporting requirements and management information arrangements. In addition, any relevant Environmental, Social and Governance (ESG) factors influencing the Authority's Investment Strategy will also be considered.
- 2.2.2 In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the GLA's Group Treasury Management Practices TMP's.

#### **2.2 Credit and counterparty risk management**

- 2.2.1 The MOPAC Group CFO regards a key objective of the MOPAC Group's treasury management activities to be the security of the principal sums it invests. Accordingly, they will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit investment activities to the instruments, methods and techniques referred to in the TMP4 Approved instruments, methods and techniques and listed in the GLA's Group Treasury Management Practices Schedules.
- 2.2.2 The MOPAC Group CFO also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which the MOPAC Group may borrow, or with whom it may enter into other financing arrangements.
- 2.2.3 The MOPAC Group'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 GLA Integrated Investment Strategy.

#### **2.3 Liquidity risk management**

- 2.3.1 The MOPAC Group CFO will ensure the MOPAC Group has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.
- 2.3.2 The MOPAC Group CFO will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities or to ensure an adequate level of short-term investments to provide liquidity for the organisation.
- 2.4 Interest rate risk management
- 2.4.1 The MOPAC Group CFO will manage the MOPAC Group's exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 'Reporting requirements and management information arrangements'.
- 2.4.2 The MOPAC Group CFO will achieve this by the prudent use of the MOPAC Group's 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.
- 2.5 Exchange rate risk management
- 2.5.1 The MOPAC Group CFO will manage its exposure to fluctuations in exchange rates, so as to minimise any detrimental impact on its budgeted income/expenditure levels.
- 2.6 Inflation risk management
- 2.6.1 The MOPAC Group CFO 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 organisation's inflation exposures.
- 2.7 Refinancing risk management
- 2.7.1 The MOPAC Group CFO will ensure that the MOPAC Group's borrowing and other long term liabilities are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the MOPAC Group as can reasonably be achieved in the light of prevailing market conditions.
- 2.7.2 The MOPAC Group CFO will actively manage the MOPAC Group's relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.
- 2.8 Legal and regulatory risk management
- 2.8.1 The MOPAC Group CFO will ensure that all the MOPAC Group's treasury management activities comply with statutory powers and regulatory requirements. They will demonstrate such compliance, if required to do so, to all parties with whom the MOPAC Group deals in such activities. In framing its credit and counterparty policy under TMP[1] 'credit and counterparty risk



management' in the TMP schedules, they will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the MOPAC Group, particularly with regard to duty of care and fees charged.

- 2.8.2 The MOPAC Group CFO recognises that future legislative or regulatory changes may impact on treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the MOPAC Group.

2.9 Operational risk, including fraud, error and corruption

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

2.10 Market/Price risk management

- 2.10.1 The MOPAC Group CFO will seek to ensure that the MOPAC Group's stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect the MOPAC Group from the effects of such fluctuations.

**3.0 TMP2 PERFORMANCE MEASUREMENT**

- 3.1 The MOPAC Group CFO is committed to the pursuit of value for money in the MOPAC Group's treasury management activities, and to the use of performance methodology in support of that aim, according to methodology determined from time to time by the MOPAC Group's CFO.
- 3.2 Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation'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's. The criteria will include measures of effective treasury risk management and not only measures of financial performance (income or savings).

**4.0 TMP3 DECISION-MAKING AND ANALYSIS**

- 4.1 The MOPAC Group CFO will maintain full records of the MOPAC Group's 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 taken into account at the time.

**5.0 TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

- 5.1 The MOPAC Group CFO will undertake the MOPAC Group's treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 'Risk management'.
- 5.2 Should the MOPAC Group CFO 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 MOPAC Group CFO will seek legal and financial advice and will ensure that it fully understands those products and has the ability to enter into such arrangements.

- 5.3 The MOPAC Group 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.

## **6.0 TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS**

- 6.1 The MOPAC Group CFO considers it essential, for the purposes of the effective control and monitoring of the MOPAC Group's 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.
- 6.2 The principal 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.
- 6.3 If and when the MOPAC Group intends, as a result of lack of resources or other circumstances, to depart from these principles, the MOPAC Group 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.
- 6.4 The MOPAC Group 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 MOPAC Group CFO will also ensure that at all times those engaged in treasury management will follow the policies and procedures. The present arrangements are detailed in the TMP Schedules.
- 6.5 The MOPAC Group 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.
- 6.6 The delegations to the MOPAC Group CFO in respect of treasury management are set out in the TMSS. The MOPAC Group CFO will fulfil all such responsibilities in accordance with the MOPAC Group's policy statement and TMPs and if a CIPFA member, the 'Standard of Professional Practice on Treasury Management'.

## **7.0 TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS.**

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

- 7.2 As a minimum:

The MOPAC Group will receive

- an annual report on the proposed strategy and plan to be pursued in the coming year
- a mid-year review

- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.
- Quarterly reports to monitor and report performance against all forward-looking prudential indicators highlighting any significant actual, or forecast deviations from the approved indicators. The quarterly reports should be reported as part of the authority's integrated revenue, capital and balance sheet monitoring

7.3 The MOPAC Group Audit Panel, as the body with responsibility for the scrutiny of treasury management policies and practices, will receive regular monitoring reports on treasury management activities and risks.

7.4 The MOPAC Group Audit Panel responsible for scrutiny, such as an audit or scrutiny committee, will have responsibility for the scrutiny of treasury management policies and practices.

7.5 Local authorities should report the treasury management indicators as detailed in their sector-specific guidance notes.

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

## **8.0 TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

8.1 The MOPAC Group CFO will prepare, and the MOPAC Group will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of 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'.

8.2 The MOPAC Group 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'.

8.3 The MOPAC Group CFO will account for the MOPAC Group's treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory requirements in force for the time being.

## **9.0 TMP8 CASH AND CASH FLOW MANAGEMENT**

9.1 Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the MOPAC Group will be under the control of the MOPAC Group 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 MOPAC Group CFO will ensure that these are adequate for the purposes of monitoring compliance with TMP1 (2.3) 'Liquidity risk management' in the TMP Schedules, and for the purpose of identifying future borrowing needs (using a liability benchmark where appropriate).

## **10.0 TMP9 MONEY LAUNDERING**

10.1 The MOPAC Group CFO is alert to the possibility that the MOPAC Group 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.

## **11.0 TMP10 TRAINING AND QUALIFICATIONS**

- 11.1 The MOPAC Group CFO recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. They 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 MOPAC Group 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.
- 11.2 The MOPAC Group CFO will ensure that the MOPAC Group's members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.
- 11.3 Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.
- 11.4 The GLA's subsidiary company, London Treasury Limited (LTL), is responsible for providing strategic advice on and subsequently managing the GLA's borrowings, investments and cash flows, including 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 and the paramount objective of preserving capital.
- 11.4 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.
- 11.5 The training needs of officers and elected members are reviewed annually.
- 11.6 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.
- 11.7 The present arrangements, including a knowledge and skills schedule, are detailed in the TMP Schedules.

## **12.0 TMP11 USE OF EXTERNAL SERVICE PROVIDERS**

- 12.1 The MOPAC Group recognises that responsibility for the treasury management decisions remains with the MOPAC Group at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which 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. And 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 arrangement rests with the MOPAC Group CFO.
- 12.2 The MOPAC Group's treasury management investments are managed by the GLA's subsidiary company, London Treasury Limited (LTL), which is authorised and regulated by the FCA to manage investments and provide investment advice.

- 12.3 The MOPAC Group uses MUFG Pension & Market Services (formerly known as Link Treasury Services Limited), 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.
- 12.4 Whilst recognising the specialist skills and resources advisors can provide, the MOPAC Group acknowledges that responsibility for treasury management decisions remains with the organisation and will ensure that undue reliance is not placed upon external service providers.
- 12.5 External managers for treasury investments will comply with this and subsequent treasury management strategies and more detailed investment mandates prepared by the MOPAC Group CFO. At the time of writing, the MOPAC Group has no directly engaged external managers in respect of treasury investments.
- 12.6 The NatWest group is the MOPAC Group's banker and continues to provide a competitive service under an annual rolling contract.
- 12.7 The MOPAC Group'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).

### **13.0 TMP12 CORPORATE GOVERNANCE**

- 13.1 The MOPAC Group is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principals and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.
- 13.2 The MOPAC Group has adopted and implemented the key principles of the TM Code. This, together with the other arrangements detailed in the Treasury Management Practices TMP's, are considered vital to the achievement of proper corporate governance in treasury management, and the MOPAC Group CFO will monitor and, if and when necessary, report upon the effectiveness of these arrangements.