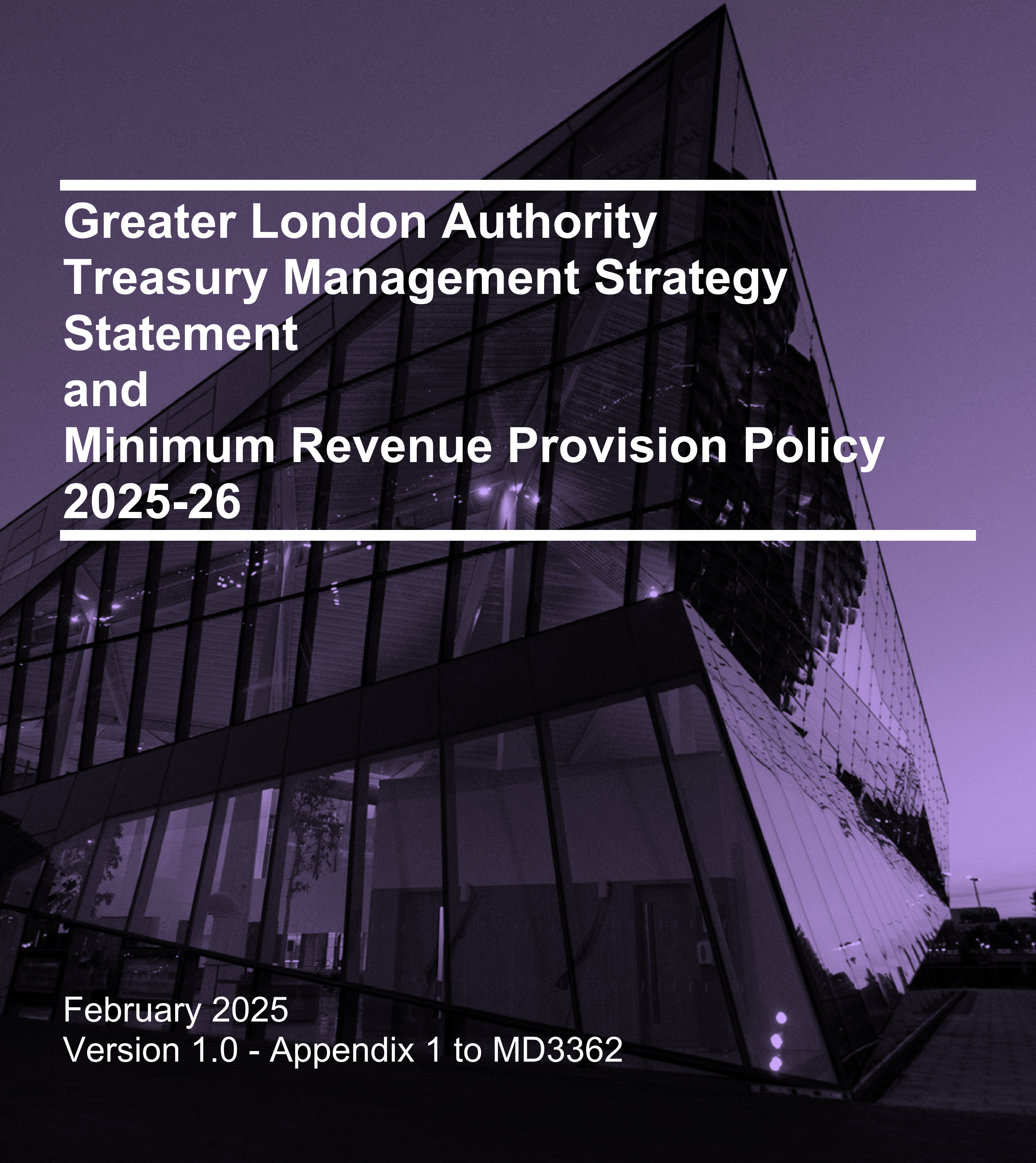
MAYOR OF LONDON



Greater London Authority Treasury Management Strategy Statement and Minimum Revenue Provision Policy 2025-26

February 2025
Version 1.0 - Appendix 1 to MD3362

Version history

Date	Approver	Amendment Summary
31 March 2025	MD3362	

Table of Contents

*** 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 2025-26 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 Ministry of Housing, Communities and Local Government (MHCLG) Capital Finance: Guidance on Local Government Investments (3rd edition, 2018)

(f) the MHCLG Capital Finance: Guidance on minimum Revenue Provision (5th edition, 2024)

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 MD3362.

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 (e.g. 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 (i.e. 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 who is 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. The CFO may designate a Senior Responsible Officer (currently the Chief Investment Officer, or CIO), with appropriate specific professional expertise, to assist the CFO in the day-to-day management of treasury management and investment activities and the related financial risks.

2.10. 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 SRO) in their 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 trading as "Funding London"

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.

2.11. "The treasury function" means the CFO, any Senior Responsible Officer designated by the CFO 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.

2.12. 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).

2.13. The GLA and LTL have established, and continue to develop, collaborative working arrangements to share systems and specific aspects of treasury management services with Transport for London (TfL) to drive benefits of scale and to provide resilience.

2.14. The GLA, LFC, MOPAC, LLDC, LPFA and TfL all participate in LTLF. OPDC are currently in process of admission at the time of writing.

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. A forum comprised of the Chief of Staff and the CFO will receive quarterly performance reports, including a mid-year review and annual outturn report from LTL. The CFO may also include any Senior Responsible Officer designated by the CFO as having day-to-day responsibility for treasury management activities and related financial risks. The forum can 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. The CFO also holds responsibility for the execution and administration of treasury management decisions and may delegate these duties to a designated Senior Responsible Officer. 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. 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.

5.2. Annex 2 sets out the forward looking Prudential and Treasury Management Indicators that will be used to monitor treasury activities in 2025-26. 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.

5.3. Interest rate forecasts provided by the GLA's treasury consultants, MUFG Pensions & Market Services (formerly Link Treasury Services Limited), are shown below and inform both investment and borrowing considerations:

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

5.4. 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 CFO (including any designated Senior Responsible Officer) 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.

<u>Sources of the underlying need for GLA borrowing</u>

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) MHCLG Financial Transactions [HFTs] – the London Housing Bank and Housing Zones programmes involve the GLA acting as an agent for MHCLG, making capital loans to housing providers financed with a broadly back-to-back facility from MHCLG. The GLA's obligations to MHCLG 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 and the Museum of London.

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

Forecast position as at 31 Mar 2025 (£m)

Component	CFR	External Borrowing	Over/(Under) Borrowing
BRS	3,591	3,797	206
NLE	861	950	88
HFTs	68	51	-17
GFF	165	148	-17
GLA Core	786	45	-741
Total	**5,472**	**4,990**	**-482**

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

Core CFR Components	CFR (£m)
Legacy (LDA/LTGDC)	246
LLDC	426
OPDC	53
Museum of London	30
Royal Docks	24
Pocket Living	2
Big Issue	3
Total	**786**

6.12. The GLA expects to use internal borrowing for core activity during 2025-26 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:

		Objective Analysis				
Lender	**Outstanding at 31 Dec 2024 (£m)**	**HFTs**	**BRS**	**NLE**	**GFF**	**GLA**
Public Works Loan Board (PWLB)	1,815	-	1,570	200	-	45
European Investment Bank (EIB)	480	-	-	480	-	-
Bond programme (Community Finance No. 1 plc)	870	-	600	270	-	-
Department for Transport (DfT)	1,657	-	1,657	-	-	-
MHCLG	51	51	-	-	-	-
National Wealth Fund (NWF)	100	-	-	-	100	-
Total	**4,972**	**51**	**3,827**	**950**	**100**	**45**

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 this is 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 designated Senior Responsible Officer 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 SRO, 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 SRO 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 SRO, other GLA officers delegated by the CFO, 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 TMP 1 Credit and counterparty risk management in the TMP schedules, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may affect 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 (or SRO) 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 in the TMP schedules, 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 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.

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 Capital Expenditure Prudential Indicators

Capital Expenditure

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

1.2 All capital expenditure is included, not just that financed through borrowing.

Capital Expenditure (£m)	Forecast Outturn 2024-25	Budget 2025-26	Plan 2026-27	Plan 2027-28
GLA	1,283	1,868	1,575	1,218

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

1.3 The Capital Financing Requirement (CFR) is the measure of the GLA's cumulative unfunded capital expenditure, i.e. its underlying borrowing need. It is the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resource.

1.4 Any capital expenditure which has not immediately been charged to the revenue account or matched to capital grants, receipts, or reserves, will increase the CFR. The annual Minimum Revenue Provision (MRP) acts to spread the revenue impact of this over the aggregate useful life of the assets in question. The table below sets out the forecast CFR analysed by the components described in the GLA's Treasury Management Strategy Statement (TMSS).

Capital Financing Requirement (CFR) (£m)	Forecast Outturn 2024-25	Budget 2025-26	Plan 2026-27	Plan 2027-28
BRS (Elizabeth Line)	3,591	3,362	3,124	2,877
NLE (Northern Line Extension)	861	861	812	760
HFTs (Housing Financial Transactions)	68	47	27	0
GFF (Green Finance Fund)	165	244	321	247
GLA Core	786	865	896	882
GLA Total	**5,472**	**5,378**	**5,179**	**4,766**

2 External Debt Prudential Indicators

Authorised Limit for External Debt

2.1 The Authorised Limit is the expected maximum debt needed to meet planned service requirements, with some headroom for unexpected developments such as unusual cash movements.

2.2 For the purposes of the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities (the Prudential Code), the limit is analysed between borrowing and other long-term liabilities, such as finance leases.

2.3 The Authorised Limit is intended to be an absolute ceiling which cannot be exceeded, except as provided under section 5 of the Local Government Act 2003, where payments expected but not yet received can temporarily result in the limit being exceeded, provided the original setting of the limit had not taken into account any delay in receipt of these payments.

Authorised Limits for External Debt for the GLA Group

2.4 The Mayor is asked to approve the Authorised Limits set out in the tables below for the GLA and its functional bodies. Figures in the tables may not exactly sum due to rounding.

GLA (£m)	Proposed 2025-26	Proposed 2026-27	Proposed 2027-28
Borrowing	6,200	5,900	5,500
Other Long-Term Liabilities	-	-	-
Total	**6,200**	**5,900**	**5,500**

MOPAC (£m)	Proposed 2025-26	Proposed 2026-27	Proposed 2027-28
Borrowing	1,390	1,592	1,715
Other Long-Term Liabilities	140	112	82
Total	**1,530**	**1,704**	**1,797**

LFC (£m)	Proposed 2025-26	Proposed 2026-27	Proposed 2027-28
Borrowing	175	175	175
Other Long-Term Liabilities	70	70	70
Total	**245**	**245**	**245**

***TfL Corporation (£m)**	Proposed 2025-26	Proposed 2026-27	Proposed 2027-28
Borrowing	14,616	14,780	14,700
Other Long-Term Liabilities	1,745	1,841	1,784
Total	**16,361**	**16,621**	**16,484**

***TfL Group (£m)**	Proposed 2025-26	Proposed 2026-27	Proposed 2027-28
Borrowing	14,721	15,038	15,034
Other Long-Term Liabilities	3904	3,935	3,891
Total	**18,625**	**18,973**	**18,925**

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

LLDC (£m)	Proposed 2025-26	Proposed 2026-27	Proposed 2027-28
Borrowing	550	550	550
Other Long-Term Liabilities	-	-	-
Total	**550**	**550**	**550**

OPDC (£m)	Proposed 2025-26	Proposed 2026-27	Proposed 2027-28
Borrowing	225	225	225
Other Long-Term Liabilities	-	-	-
Total	**225**	**225**	**225**

***GLA Group (£m)**	Proposed 2025-26	Proposed 2026-27	Proposed 2027-28
Borrowing	23,156	23,222	22,865
Other Long-Term Liabilities	1,955	2,023	1,936
Total	**25,111**	**25,245**	**24,801**

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

Note:

MD3231 authorises the GLA to borrow on behalf of other members of the GLA Group; in such instances, the GLA's Authorised Limit may be deemed to increase by the amount of such a transaction provided that the overall levels of external borrowing do not exceed the GLA Group limits set out in the table above.

Operational Boundary for External Debt

2.5 The GLA's Operational Boundary is based on the same estimates as the Authorised Limit. However, it reflects an estimate of a prudent level of borrowing required to meet capital expenditure and maintain sufficient liquidity, taking account of expected levels of cash that can prudently be used in lieu of external borrowing.

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

Operational Boundary for External Debt (£m)	Budget 2025-26	Plan 2026-27	Plan 2027-28
Borrowing	5,700	5,400	5,000
Other Long-Term Liabilities	-	-	-
Total	**5,700**	**5,400**	**5,000**

Gross Debt and Capital Financing Requirement (CFR)

2.7 For the purposes of the Prudential Code, gross debt refers to the sum of borrowing and other long-term liabilities – in the GLA's case, this is wholly borrowing.

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

Gross Debt and CFR (£m)	Forecast Outturn 2024-25		Budget 2025-26		Plan 2026-27		Plan 2027-28	
	Gross Debt at 31 March	CFR	Gross Debt at 31 March	CFR	Gross Debt at 31 March	CFR	Gross Debt at 31 March	CFR
BRS	3,797	3,591	3,503	3,362	3,229	3,124	2,855	2,877
NLE	950	861	928	861	876	812	825	760
HFTs	51	68	51	47	51	27	51	0
GFF	148	165	148	244	148	321	48	247
GLA Core	45	786	40	865	35	896	35	882
GLA Total	**4,990**	**5,472**	**4,669**	**5,378**	**4,339**	**5,179**	**3,813**	**4,766**

2.9 The BRS and NLE accounts historically experienced very large cash flows relative to the GLA's core spending. As a measure of prudence, the actual repayment of borrowing was programmed to lag behind recognition of revenues (and subsequent application of MRP) by up to six months, to ensure that cash related to those revenues was received in full before payments became due, and to create a cash buffer on those accounts to cover interest costs. As a result of this, at any given reporting date, gross debt is expected to exceed the CFR on those accounts by the next six months' planned repayments together with any cumulative outperformance of revenues against original assumptions.

3 Affordability Prudential Indicators

Financing Costs to Net Revenue Stream

3.1 This indicator compares the total net interest payments on external debt plus any MRP to the core taxation revenues of the GLA including any non-specific grant income. As the majority of the GLA's borrowing costs relate to the Elizabeth Line (BRS) and Northern Line Extension (NLE), the hypothecated revenue streams used to service this debt are included in the denominator when calculating the ratio to ensure it is meaningful. The GLA's borrowing costs are largely fixed, reflecting a preference for budgetary certainty around the ongoing cost of major projects, however investment income, reflecting the predominantly short-term treasury investments, tracks short-term interest rates.

Financing Costs to Net Revenue Stream (%)	Forecast Outturn 2024-25	Budget 2025-26	Plan 2026-27	Plan 2027-28
GLA	5.0%	5.6%	6.6%	6.7%

3.2 These ratios nevertheless indicate the significance of debt service to the GLA's revenue cost base and the need for prudent management of the relevant risks.

Net Income from Commercial and Service Investments to Net Revenue Stream

3.3 This indicator compares the net income from commercial and service investments to the overall revenue spending of the GLA.

Net Income from Commercial and Service Investments to Net Revenue Stream (%)	Forecast Outturn 2024-25	Budget 2025-26	Plan 2026-27	Plan 2027-28
GLA	0.7%	0.8%	0.8%	0.8%

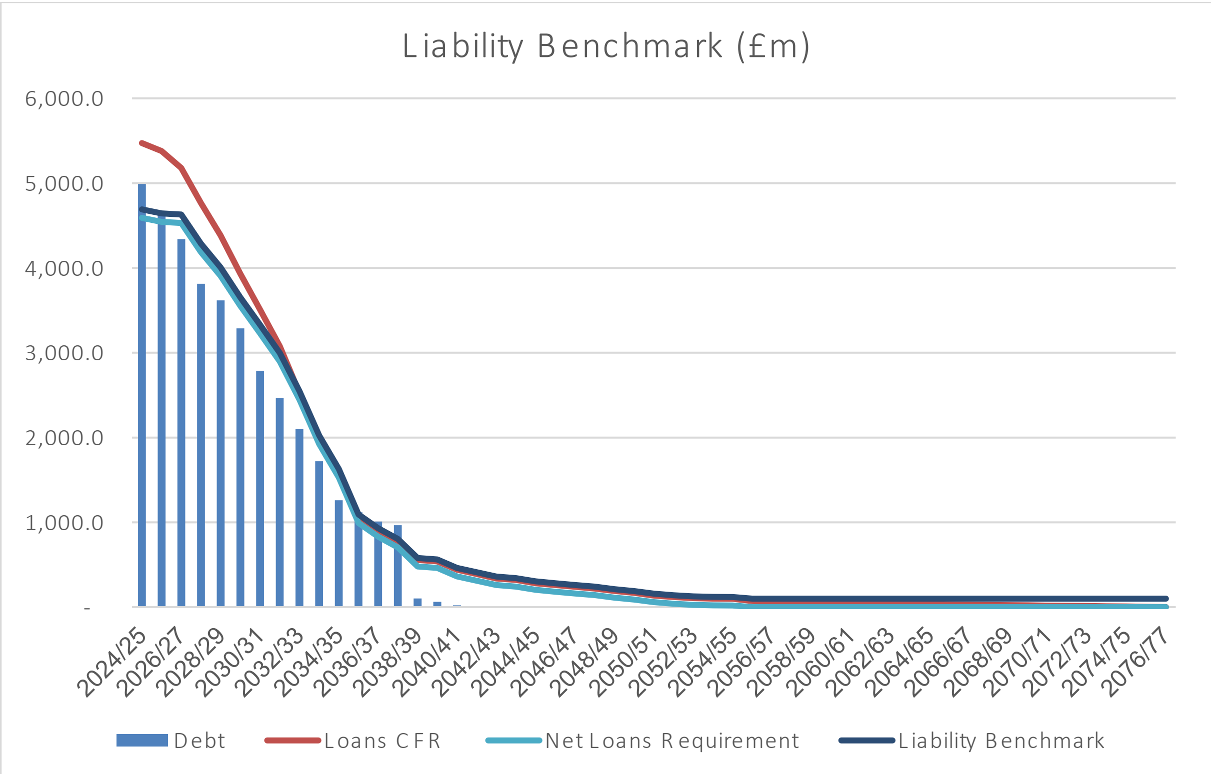
3.4 These ratios show the limited financial exposure of the GLA to service investments income and that the GLA does not materially depend on such income for its activities.

4 Treasury Management Prudential Indicators

Liability Benchmark

4.1 This indicator sets out how the GLA's CFR is expected to amortise over time as the MRP and planned application of capital receipts take effect, and, taking account of prudent levels of using existing cash in lieu of external borrowing, derives a net loans requirement as a benchmark to compare with existing debt.

4.2 The chart shows the GLA's outstanding borrowing is in the main well matched to benchmark, with debt falling marginally below the benchmark from 2026-27 until the later 2030s (where there is a small risk that the GLA will have more borrowing than it needs over this period). The gap emerging between 2026-27 until 2034-35 is predominantly driven by the future planned allocations of the Green Finance Fund, where external borrowing will be undertaken once the lending arrangements for specific eligible projects are determined in order to match asset and liabilities profiles and minimise interest rate, credit and liquidity risk to the GLA. The temporary projected overshoot of external debt versus the benchmark in the late 2030s is due to expected BRS account revenues exceeding assumptions at the time the borrowing was taken out. However, there are risks that these expectations may not be met and/or other factors may affect how quickly the CFR and hence benchmark decline, so the overall level of debt remains prudent.



Limits for Maturity Structure of Borrowing

4.3 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 are set.

Limits for Maturity Structure of Borrowing for 2025-26 (%)	Upper Limit	Lower Limit
Under 12 months	30%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	35%	0%
5 years and within 10 years	50%	20%
10 years and above	40%	10%

Limits for Principal Sums Invested for Periods Longer than 365 Days

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

- adversely impact on the GLA'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.

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

Maximum Principal Sums Invested for Longer Than 365 Days (£m)	Budget 2025-26	Plan 2026-27	Plan 2027-28
Mayor's Land Fund	80	80	80
Treasury – Strategic Investments	Up to 15% of rolling 1-year cash balance forecast		

*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. MHCLG has introduced changes to MRP regulations and guidance which take effect from 1 April 2025. The explicit purpose of the changes is to address the risk of local authorities underpaying MRP and specifically prohibits the following inappropriate practices:

   a) Using proceeds from asset sales to replace the revenue charge; and

   b) Not making MRP on debt associated with investments, in the belief that the assets would accumulate or retain value and could be sold to repay debt.

   The GLA does not undertake these practices; its existing MRP policy is consistent with the updated regulations and no changes to the GLA's MRP policy are required by the changes in regulations.

4. The updated regulations also clarify the status of MRP with respect to capital loans financed by debt: Regulation 27(4) allows local authorities to exclude such capital loans from the requirement to make MRP, provided the loan is not a commercial loan (a loan undertaken primarily for financial return). The GLA does not hold any commercial capital loans but paragraph 7 of the MRP policy, which sets out the GLA's approach to charging MRP on capital loans, has been revised to make it clear the policy accords with the updated regulations.

5. Terminology in the policy reflects the classification of the Capital Financing Requirement (CFR) set out in the Treasury Management Strategy Statement for 2025-26.

Minimum Revenue Provision (MRP) Policy

1. The nature 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 – provided the loans are not classed as commercial loans - 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.

8. Where the GLA incurs unfunded capital expenditure from the acquisition of share capital within the meaning of regulation 25(1)(d), the maximum period of benefit shall be 20 years and MRP shall otherwise be calculated in accordance with the method set out under paragraph 5.

MAYOR OF LONDON

Greater London Authority Integrated Investment Strategy 2025-26

February 2025
Version 1.0 - Appendix 2 to MD3362

Contents

Version History

	Date	Approved by	Amendment Summary
1.0	31/03/2025	MD3362	

1. Introduction and status

1.1. This document, the GLA Integrated Investment Strategy (IIS) for 2025-36 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 Ministry of Housing, Communities and Local Government (MHCLG) Capital Finance: Guidance on Local Government Investments (3rd Edition)

(f) the MHCLG Statutory Guidance on Minimum Revenue Provision (MRP) (5th Edition 10 April 2024).

1.2. The IIS should be read in conjunction with the GLA's Treasury Management Strategy Statement (TMSS). The TMSS forms Appendix 1 to MD3362.

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. 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. MHCLG's statistics as at 30 September 2024 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 6.5% 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 (i.e. no direct budgetary impact)**	**Capital Expenditure**	
			Unfunded (i.e. financed with borrowing)	**Funded**
Treasury	Always	Almost always	Possible, but rare	Never
Service	Sometimes	Rarely (hybrid treasury investments)	Sometimes	Mostly

2.6. 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
		MHCLG 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
		London Efficient Decentralised Generation of Energy (EDGE) Fund	Funded
		Green Finance Fund (GFF)	Unfunded
Finance	Corporate	GLA Land and Property Limited (GLAP)	Unfunded
		London Legacy Development Corporation (LLDC)	Mixed
		Old Oak and Park Royal Development Corporation (OPDC)	Mixed
		London Power	Funded
		LTL (regulatory capital)	Funded

2.7. 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 MHCLG financial transactions programme is unfunded, it is financed by limited recourse loans from MHCLG, 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, LLDC and OPDC 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.

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

2.9. 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.

2.10. 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.

2.11. 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 Senior Responsible Officer (SRO) 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) a designated Senior Responsible Officer (SRO), currently 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**
Fay Hammond **CFO**	n/a	Treasury Investments	RO
Dan Maton	Housing	Affordable or community housing programmes	*Yvette McKenzie-Ray* Head of Investment

Assistant Director – Investment and Operations (Interim), Housing and Land		Land Fund and GLAP investments	*Yvette McKenzie-Ray* Head of Investment
		MHCLG Financial Transactions	*Andrew Welsh* Senior Investment Manager
		Investments in 3rd party funds	*Yvette McKenzie-Ray* Head of Investment
Louise Duggan **Head of Regeneration and Growth Strategies**	Economy (Regeneration)	GPF	RO
Maggie Rodriguez-Piza **Deputy Director, SME Funding (LTL)**	Economy (SME growth/ Funding London)	LCIF	*Puneet Raj Bhatia* Fund Director, LCIF (LTL)
		GLIF	RO
		MMC London Fund	RO
Kenroy Quellennec-Reid **Deputy Director, Impact Investment (LTL)**	Environment	LEEF	Saida Homaira, Financial Analyst
		GSHF	Saida Homaira, Financial Analyst
		MEEF	Saida Homaira, Financial Analyst
		EDGE	Zhongzhe Wu, Associate, Impact Investment and Sustainability
		GFF	Sandeep Duggal, Associate, Impact Investment
Fay Hammond **CFO**	Corporate	GLAP	*Tayo Adejumo* Finance Business Partner GLAP
		LLDC	RO
		OPDC	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 SRO, 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 SRO

(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 SRO and submitted to FROB for approval by the CFO

(c) ensure actions agreed at FROB are carried out.

3.10. The SRO 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 SRO 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 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 SRO 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 SRO 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	• 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:

(a) absorb the accounting impact of unrealised gains and losses on the GLA's treasury investments to avoid any impact on budgetary flexibility

(b) 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 MHCLG and some internal GLA resources:

Group	Amount Committed	Investment Period
Affordable or community housing programmes:	£56,447,596	Up to 2030
Land Fund and GLAP investments:	£340,148,929	Up to and beyond 2034
MHCLG Financial Transactions	£48,037,590	Up to 2032
Investments in 3rd party funds	£40,000,000	Up to 2027

6.2. High level investment objectives for the combined £485m 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 MHCLG.

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 £35m 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 £5.2m 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. As of 31 January 2025, LCIF has received £12.5m from sale of investment holdings, £5.2m of which has been reinvested in new investments and portfolio companies to spur their future growth.

6.16. 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.

6.17. LCIF has funded over 150 businesses through 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 at low cost in comparison to many venture capital models (the current fund internal rate of return stands at 10.3% and the live portfolio is valued at £38.5m, which is 2.6x the original investment). 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).

6.18. In 2023-24, LCIF has invested a further £787,504, leveraging a further £9m from the private sector in 5 businesses. The investments are in sectors of strategic importance to London including EV Charging, Traffic management solutions, Financial technology, AI enabled business productive enhancement and Healthcare solutions. Three of the five businesses have funding members from female or of minority ethnic backgrounds.

GLIF

6.19. 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.

6.20. 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.

6.21. The Fund has deployed £95.1m alongside c. £494m from the private sector, across 162 London-based SMEs. A further £4.7m will be deployed by the equity fund via follow-on investments. Furthermore, a £10m additional commitment has been secured for the loan funds to deploy during 2025. Reported outcomes include:

(a) creation of c.3,050 jobs, surpassing the programme target with further 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. £146.9m. Of this, the equity fund represents £120.6m or a 3.x multiple. *[note: remaining £26.3m represents remaining loan balances outstanding]*

6.22. The £100m being deployed by GLIF comprises a £35m ERDF grant (via the GLA), matched by a revolving credit facility from the London Treasury Liquidity Fund, legacies from Funding London's previous funds and ERDF investment returns from the London Green Fund (via the GLA) that focussed on supporting investments in Circular Economy.

New SME Fund (LCIF II)

6.23. 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.

6.24. During the year, Funding London has considered prevailing market conditions in the context of the London Growth Plan. Market data continues to point to significant declines in early-stage investment activity over the past 18 months. For example, a recent report from Beauhurst highlighted a 61% decline in the amount invested and 49% decline in number of deals in the early-stage high-growth sector across UK in Q3 2024, with London observing the steepest decline of all regions.

6.25. Given this backdrop, and in the absence of new European funding programmes which have historically been the main source of funds for this activity in London, or other public sources of funding to support Access to Finance, the recycling and leveraging of FL fund returns is potentially the only source of capital available to continue to address the prevalent funding gaps for London based SMEs. In the longer term, FL's objective is to redeploy returns from its funds such as the GLIF and the LCIF towards the creation of future investment funds to continue to support SMEs caught in the finance gap.

6.26. As outlined in the London Growth Plan, a new fund will be launched to provide loan an equity finance for high-growth SMEs. It is proposed that an initial amount of £10m of early returns from each of GLIF and LCIF be used to cornerstone a new fund (to be called LCIF II). This cornerstone will be used to leverage additional funding from potential institutional investors, including the British Business Bank, to form a £50m - £100m co-investment fund, using LCIF's well established processes, frameworks and investor relationships to support high-growth SMEs facing a yawning finance gap. These are typically very early-stage start-ups or spinouts that are raising their first external institutional investment or their first scale-up round of funding.

6.27. Given LCIF's strong track record, we believe that this will be an attractive proposition that will create a substantial investment programme to support early-stage SMEs in sectors of strategic importance to London and in alignment with the London Growth Plan. Importantly, this initiative does not need any new public funds.

6.28. The outline herein follows from Funding London's commitment to continue to recycle returns from early funds to continue to support London SMEs, in accordance with this Integrated Investment Strategy. Funding London will develop, and submit to the GLA for approval, a detailed proposal outlining how LCIF II will be established and managed.

MMC London Fund

6.29. 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.

6.30. 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.

6.31. 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.

<u>Environment – Green Finance</u>

LEEF

6.32. 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.

6.33. The fund was launched in August 2011, with commitment of £61.55m from the GLA (consisting of £35.85m from the 2007-13 European Regional Development Fund (ERDF) Programme, managed by the GLA and £25.7m from the GLA's own funds).

6.34. 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.

6.35. 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.

6.36. Up to 2018, LEEF invested in 80 buildings across 9 London Boroughs, mobilising £420m into these low carbon projects. This resulted in annual CO_2 reduction of 39,000 tonnes and 34,000,000 kWh of energy savings.

GSHF

6.37. 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.

6.38. 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.

6.39. 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 the GLA and £6m from the GLA's own funds).

6.40. 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

6.41. 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.

6.42. 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.

6.43. 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.

6.44. MEEF is managed by Amber Infrastructure Limited and will continue to invest until May 2025. By the end of 2024, MEEF had made 25 investments, mobilising £419m into low carbon projects. This is expected to result in reduced CO_2 emissions of 32,306 tonnes per year and 41,653,013 kWh energy saved.

EDGE

6.45. In November 2023, the Mayor committed £50m to facilitate the establishment of EDGE, alongside £50m from investments managed by Sustainable Development Capital LLP (SDCL). EDGE was officially launched in June 2024 and provides finance to increase the pace of development and implementation of climate and environmental projects, to support the Mayor's net zero target. EDGE combines both the development and financing of low carbon projects, by financing the end-to-end phases (from development to operation) of projects.

GFF

6.46. 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.

6.47. 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).

6.48. The GFF is managed by LTL (in conjunction with the 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.

6.49. 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.

6.50. 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.

6.51. Since its launch in June 2023, £260.6m has been approved by the Credit Committee for 10 projects.

6.52. To help capitalise the fund, in December 2023, the GLA concluded £190m loan agreement with the National Wealth Fund, at a very competitive rate.

Corporate

Subsidiary and functional body finance

6.53. 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).

6.54. The GLA also makes loans to functional bodies such as LLDC and OPDC to avoid unnecessary external borrowing at the GLA Group level.

6.55. 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, LLDC and OPDC, this is managed directly by the CFO and their directorate leadership team, which includes the SRO and the Assistant Directors of Financial Services and Group Finance.

6.56. The CFO, having taken appropriate advice, may authorise GLA subsidiaries (subject to compliance with any applicable company law requirements) to repay loans ahead of schedule and to borrow to replace any such sums so repaid, provided the overall level and duration of borrowing is not increased beyond what would have been the case had the early repayment not occurred.

6.57. 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 2024 (£000s)

Investment Theme	Programme	GLA	GLA - ERDF	GLAP	SMEWFL	GLA Total	Third Parties	Total Impact
Treasury	LTLF	2,546,529				**2,546,529**	142,009	**2,688,537**
Housing and Land	Affordable or community housing programmes	31,740		5,227		**36,966**		**36,966**
	Land Fund and GLAP investments(1)	77,581		203,760		**281,341**	119,911	**401,251**
	MHCLG Financial Transactions	49,703				**49,703**		**49,703**
	Investments in 3rd party funds	10,000		24,163		**34,163**		**34,163**
Funding London(2)	LCIF	36,560			2,396	**38,956**		**38,956**
	GLIF	11,844	49,198		12,365	**73,407**		**73,407**
	MMC London Fund				14,894	**14,894**	4,324	**19,219**
Regeneration	GPF	3,841				**3,841**		**3,841**
Green Finance	Edge Fund	-	-			-		-
	LEEF	3,460	6,383			**9,843**		**9,843**
	Housing Finance Corporation - GSHF	5,550	5,550			**11,100**		**11,100**
	MEEF	8,654	73,800			**82,454**	57,901	**140,355**
	GFF	101,156				**101,156**		**101,156**
Subsidiary and FB finance	GLAP - foundation	266,667		(52,643)		**214,023**		**214,023**
	GLAP- operational finance	180,506		(180,506)		-		-
	LLDC	512,746				**512,746**		**512,746**
	OPDC(1)	37,243				**37,243**		**37,243**
	London Power	1,167				**1,167**		**1,167**
	LTL (regulatory capital)	1,125				**1,125**		**1,125**
Totals		**3,886,070**	**134,932**	-	**29,656**	**4,050,657**	**324,144**	**4,374,802**

(1)Housing and Land Includes £50m loan to OPDC
(2)Note: Includes only live portfolio. So excludes net £11m of exits for LCIF, and £14m of exits from for MMC LF. LCIF and MMC LF at 30 September 2024

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.

Annex 2 – GLA Group Responsible Investment Policy

1. Introduction

1.1 This document outlines the GLA Group's ("Group") Responsible Investment ("RI") Policy ("Policy"), detailing our approach integrating Environmental, Social Governance (ESG) factors into investment decision-making. The Policy applies to investments aimed at fulfilling our short, medium and long-term investment objectives, as well as specific investments in special projects or developments outside these objectives.

1.2 For the purposes of this Policy, RI refers to the incorporation of ESG considerations in all investment processes. The Group recognises that ESG factors, particularly those related to climate change directly influence investment performance. The overarching goal of this Policy is to mitigate ESG risks, while maximising positive environmental impacts.

1.3 The Mayor of London declared a climate emergency and brought forward London's net zero target to 2030. In line with this commitment, the Group has made climate change a central priority, and any environmental factors considered under this Policy will align with this. Our 'climate budget' is an example of how the Group is actively working towards net zero by investing in initiatives and activities that reduce our environmental impact.

2. Principles and Approach

2.1 The Group's RI approach is guided by the UN Sustainable Development Goals and the Principles for Responsible Investment's (PRI) six 'Principles', as outlined below.

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

2.2 The updated principles guiding our responsible investment approach include:

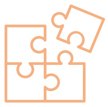
Long-term Value Creation – a growing body of academic research demonstrates that robust ESG practices lead to better long-term financial performance, operational efficiency, and reduced reputational risks. The Group aims to enhance value through sustainable practices.

Positive Impact – the Group prioritise security, liquidity and then yield, but equally strives to achieve positive social and environmental outcomes for London, while avoiding negative social and environmental impacts.

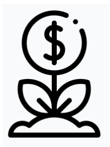
Opportunities through ESG Integration – ESG considerations can reveal new investment opportunities. Integrating ESG factors into decision-making enables us to make more informed, sustainable investment choices that align with long-term goals.

3. Responsible Investment Approach: Three Key Pillars

3.1 Our RI approach is structured around three key pillars: ESG Integration, Thematic Investment and Engagement.



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

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

3.3 Direct investments include any direct company, fund or project investments through debt instruments or private equity holdings. These investments offer the greatest potential for incorporating ESG factors into decision-making processes.

3.4 ESG factors to consider in direct investments:

- **Environmental:** emissions management, energy and waste efficiency, exposure to environmental risks.
- **Social:** human rights, community relations, customer welfare, labour relations, employee well-being, exposure to negative social impacts, diversity and inclusion.
- **Governance:** board governance, transparency, management structure, and financial integrity.

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

This is an important approach for making investment under the long-term strategic mandate, as it aligns financial returns with measurable social and environment impacts. Given London's ambitious net zero target we will prioritise investments that contribute to the low-carbon transition and climate adaptation such as:

- Renewable energy

- Energy efficiency
- Electric vehicles and associated infrastructure
- Green building projects and low-carbon technology

3.5 We will also focus on investments in small businesses (e.g. through investment funds) and/or social infrastructure that will provide wider socio-economic benefits for London and achieve attractive risk return profiles.

Indirect Investments – Engagement

3.6 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 this is managed externally through pre-approved counterparties. There we will engage with our investment managers and counterparties to address ESG risks effectively.

3.7 Our engagement strategy will be determined through assessing counterparties using relevant and suitable ESG evaluation tools and/or platforms that will provide comprehensive data on areas such as commitment to net-zero goals, decarbonisation strategies, promoting alignment with the objectives of the Paris Agreement and climate-related financial disclosures.

3.8 We will also engage credit rating agencies to integrate systematically ESG factors into their ratings, urging them to sign PRI ESG in Credit Risk and Ratings Statement, if they are not already signatories.

Exclusion Criteria

3.9 The Group will avoid new active investments in companies that are paying little or no attention to climate change related risks 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 activities in the exploration or extraction of coal, oil and natural gas as sources of energy.

3.10 Also, the Group will avoid new active investments in companies that derive 10 % or more of their revenues from the refining, marketing or distribution of fossil fuels.

3.11 Where such investments are already in place, and opportunities for engagement and reform of the company or project do not exist, the Group will make all reasonable efforts to divest provided that this will result in no material financial detriment (either through cost or increased investment risk). The Group views divestment and avoidance of any long-term financial exposure to such companies or projects as entirely consistent with its fiduciary duty to protect and obtain best value from public funds.

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

3.13 To further explain the exclusion criteria, the Group makes the following definitions, with examples of application:

"investment" or "invest" – in this context, means the acquiring ownership of all or part of a fossil fuel company or otherwise providing financial support to such a company or any project which ignores the environmental impact and risks associated with fossil fuels;

"active investment" – means making a choice to invest based on a direct assessment of that company or project or to knowingly create a long-term economic interest in such companies or projects;

"opportunities for engagement" – means the ability to meaningfully influence the strategy or development of the company or project. This might be through the exercise of voting rights, either individually or alongside like-minded investors or other routes;

"long-term financial exposure" – means exposure for more than 12 months, either through actual investment or commitments to invest (contingent or otherwise) where the length of the commitment plus the expected duration of the investment exceeds this period.

Examples of application:

- Making a loan to a fossil fuel company in order to fund expansion of conventional extraction activities would meet the definition of investment for the purposes of the exclusion criteria; making a loan to a fossil fuel company to develop an alternative technology would not.

- Purchasing a fossil fuel company bond, from another bond holder would not meet the definition as it does not lead to ownership or engagement, nor provide new financial assistance to the company. Participating in the purchase of newly issued long term bonds may or may not classify as investment depending on the proposed use of proceeds.

- Commercial Paper or other debt instruments with less than a year to maturity would not constitute investment in the context of the exclusion criteria as there is no associated ownership or engagement, nor do the longer-term risks associated with exposure to unsustainable industries (which this Policy seeks to mitigate) apply over the life of such instruments.

- Directly purchasing equity in a fossil fuel company would constitute an active investment.

- Buying units in an exchange-traded tracker fund, where the index is known to contain fossil fuel companies may or may not constitute an active investment. It would be active if the intent was for the allocation to be a permanent part of the investment portfolio *and* the composition of the index was weighted more than 10% towards fossil fuel companies; it would not if the purchase was made to maintain broad market exposure, for instance during a transition between active portfolios. In any circumstance, the Group seeks to influence the composition of the market (reflected in passive investments) through its own active decisions and those of likeminded partners.

- Circumstances involving conglomerates with a mixture of subsidiaries, some of which may meet the fossil fuels company definition (whereas others may, for example, be focused on renewable energy), would be considered on a case-by-case basis, with investment being possible if the overall corporate strategy appears to be environmentally sustainable and offset the financial risks this statement seeks to mitigate.

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 2025-26.

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	RMBS Expected WAL ≤ 3.5 years	35%	SONIA + 30bps
	Strategic lending Expected WAL ≤ 5 years	5%	SONIA + 200bps
Long-term	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 return before fees and expenses incurred directly by LTLF

*Measured as a seven-day rolling average

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 redemption requests from its Limited Partners.

Yield

(d) LTLF targets a net return, after fees and expenses, of SONIA + 40 bps over a rolling three-year period. This yield target is used as the comparator benchmark for LTLF's performance assessment and analysis.

3. Counterparty and Investment Limits

3.1 Table 1 sets out the range of specified and non-specified investments permitted for LTLF. Specified and non-specified investments are as defined in the Statutory Guidance on Local Government Investments issued by the Ministry of Housing, Communities and Local Government under the Local Government Act 2003.

3.2 The following key applies:

S = Specified (These are sterling investments with high credit quality (see Table 3) 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 lower risk assets where the possibility of loss of principal or investment income is deemed negligible. The instruments and associated credit criteria to be used are set out in Table 1.)

NS = Non-Specified (Non-specified investments are any other type of investment that do not meet the criteria to be specified investments. 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. • 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 if not denominated in sterling)	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 equivalent from other agencies per Table 3 Daily liquidity	S	*N/A*	100% Not more than 20% per money market 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 debt criteria AND proposed collateral (min. 100%) itself meets permitted investment criteria OR Collateralisation is >102% with UK Gilts or T-Bills	S – UK Gilts or T-Bills AND counterparty meets senior unsecured debt criteria NS – other	*Not permitted*	S – 100% NS – 20%, and not more than 10% with counterparties not meeting senior unsecured debt criteria
Residential Mortgage-Backed Securities (RMBS)	See **Section 5**	NS	NS	35%
Medium-Term Strategic Lending	See **Section 6**	NS	NS	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)
Other Strategic Investments	See **Section 7**	NS	NS	10%

3.4 LTLF's assets under management ("AUM") can vary in the short-term as its Limited Partners subscribe and redeem 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 cashflows 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 cashflows 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 Investment 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

Maximum Aggregate Exposure (%)	Fitch Sovereign Rating	Moody's Sovereign Rating	S&P Sovereign Rating
25	AAA	Aaa	AAA
15	AA+	Aa1	AA+
5	A	A2	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 LTLF's portfolio managers.

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)			
AA_{sf}	Aa2 (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 an overall 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 PCF must remain below 5 and no single instrument may exceed a credit factor of 10.

Table 4 – Credit Factors

Credit Factors based on Credit/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 MUFG Corporate Markets (previously known as Link Treasury 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 4.8)	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.

4.8 Notwithstanding their UK Sovereign status, Local Authorities' cashflows 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. Residential Mortgage-Backed Securities (RMBS)

5.1 As set out in paragraph 2.1, up to 35% of LTLF's investment portfolio may be invested in RMBS.

5.2 Except as set out in paragraph 5.3, the RMBS allocation is to be invested in Senior UK Prime or Buy-to-Let RMBS with a Fitch credit rating of AA+$_{sf}$ or above (or equivalent rating from other agencies per Table 3).

5.3 The RMBS allocation may also be invested in higher yielding Senior or Second-Pay UK Prime or Buy-to-Let RMBS with a Fitch credit rating of AA$_{sf}$ (or equivalent rating from other agencies per Table 3) provided that the total investment in the higher-yielding AA$_{sf}$ rated RMBS does not exceed 5% of LTLF's investment portfolio.

5.4 The expected WAL of the RMBS portfolio will not exceed 3.5 years.

6. Medium-Term Strategic Lending

6.1 Medium-term strategic lending is a portfolio of lending or financing transactions seeking to earn higher returns than the core liquidity or RMBS portfolios but with a low risk of capital impairment as assessed by the portfolio manager. The portfolio focusses on individual direct transactions, but fund investments with a similar strategy may also be used.

6.2 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

6.3 The expected WAL of medium-term strategic lending will not exceed 5 years.

6.4 Medium-term strategic lending will be secured on assets or cashflows except where the borrower is (or is guaranteed by) an investment-grade counterparty (Fitch BBB or above, or equivalent rating from other agencies per) or a public body with credible sovereign support.

7. Other Strategic Investments

7.1 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

7.2 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 VaR within the limit set in paragraph 2.2.

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

Criteria	**Limit**
Overall portfolio volatility	95% VaR ≤ 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

Criteria	**Limit**
Overall portfolio volatility	95% VaR ≤ 2%
Concentration risk	No individual other strategic investment to exceed 3% of LTLF's Forecast AUM at the point of commitment
Sector diversification	
Alternative investment strategies, other debt and equity (public and private)	< 50% of other strategic investments allocation

7.4 LTLF will not directly hold land or property.

7.5 While the other strategic investments allocation is made up of 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

7.6 London Treasury Limited (LTL) may seek the approval of the Alternative Investment Fund Manager (AIFM) and the Limited Partners' Advisory Committee (LPAC) of LTLF in relation to new investment opportunities under the medium-term strategic lending and other strategic investments allocations, where such new investment opportunities are in a new fund or in a new product (refer to Reserved Investment Decisions in the amended and restated limited partnership agreement).

8. Hedging

8.1 Core liquidity investments may be made in foreign currency, provided that the net return after the cost of hedging exceeds or matches investments of equivalent duration with counterparties of similar quality issued in sterling and that the investment provides useful diversification. Such investments must always be fully hedged into sterling as soon as practicable to reduce the risk of crystalised losses from short-term currency movements.

8.2 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 LTL after consultation with the LPAC.

8.3 LTLF's 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.

8.4 The denomination of Limited Partners' investment in LTLF will always be sterling.

9. Investment Limit Exceptions

9.1 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.

9.2 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).

10. Environmental Social and Governance (ESG) Considerations

10.1 LTLF's investment portfolio is managed in accordance with the GLA Group Responsible Investment Policy.

10.2 LTLF will monitor and report annually on the ESG status and impact of its investments and counterparties.

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 SRO 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 SHEDULES 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
	• High level aims • Key background
IMP2	Investment criteria
	• 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
	• 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
	• 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
	• 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
	• 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
	• Add any local requirements/arrangements

Impact Statement:
• Key programme achievements

Links:
• List relevant MDs • Hyperlinks to any published strategies or webpages

IMPs for several programmes are shown overleaf to demonstrate the application of the documentation in practice. The Financial Risk Oversight Board is working with Responsible Officers to ensure that IMPs are completed for all service investments.

Theme/Programme	MMC LF
Inception Date	October 2012
Principal officer contact(s)	Deputy Director, SME Investment maggie@londontreasury.org
Source of funds	Grants from: ERDF 2007-2013 Programme (£9m) SME Wholesale Finance cash balances (£6m) SME Wholesale Finance (SMEWFL) is the main investor in the MMC London Fund
Total committed	£15m
Programme status	End of Fund – currently on final two year extension

Investment Management Practices

IMP1	Investment objectives
	• To provide finance for innovative, high growth, London-based early stage SMEs to allow them to scale-up and achieve their growth ambitions • To support the creation of jobs in London by supporting businesses ready to grow substantially • To create a cost-effective fund given limited funds available
IMP2	Investment criteria
	• High growth businesses between seed stage and Series A stage in sectors of strategic importance to the London economy • Growth prospects capable of delivering returns between 5x to 10x amounts invested and significant job creation

	• Fund managers were subject to minimum co-investment targets with private sector investors
IMP3 (TMP1)	Risk management, including risk identification, controls, management and monitoring for any material non-treasury investment portfolios
	• Reviewed by Financial Risk Oversight Board • Limited Partnership Advisory Committee (LPAC): – Assessed performance of Fund Manager against fund investment criteria and other targets. – Safeguarded interests of funding providers – Considered conflicts of interest – Provided strategic input and considered ad-hoc decisions • As the fund is at the end of its life, and only four live investments remain, the LPAC only meets on an ad hoc basis, • Quarterly reporting continues but focussed on the valuation of remaining investments and any prospects for exits • Funding London board considers the fund's Risk Register at its quarterly meetings. • Limited Partnership Agreement set out key contractual obligations to comply with the ERDF funding agreements, e.g. State Aid, Prohibited investments, Irregularities.
IMP4 (TMP2)	Performance measurement and management, including methodology and criteria for assessing the performance and success of non-treasury investments
	• Yield and fair value to be reviewed by Financial Risk Oversight Board • Quarterly fund manager reports include valuation of each investment in the funds' portfolios. • Venture fund portfolio measures TVPI against the industry benchmark (BVCA Annual Performance Survey). The fund manager's remuneration is heavily weighted towards a profit share which kicks in after a hurdle return to SME Wholesale Finance. The fund manager will only collect profit share upon the sale of the remaining investments in the portfolio. • The Fund reached the end of its life in 2019. A current extension expires in 2026
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

<table>
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<u>Structure and Organisation</u>

SME Wholesale Finance is the main investor in the fund.
The articles of association of SMEWFL were restructured to allow SMEWFL to become a GLA Managed Company. This has included the termination of all board members who are not internal staff or directors of the GLA. Nonetheless, some continuity remains with Maggie Rodriguez-Piza and Alex Conway remaining on the board post restructuring. The board meets on a quarterly basis to review progress. Current members are:
<table>
<tr><td>Luke Webster</td><td>CEO London Treasury Limited</td></tr>
<tr><td>Alex Conway</td><td>AD Economic Development and Programmes</td></tr>
<tr><td>Maggie Rodriguez Piza</td><td>Deputy Director, SME Investment</td></tr>
</table>

The structure of the fund is a Limited Partnership where SMEWFL is the main Limited Partner (LP) and the fund manager is part of the General Partners' (GP) group. As per the rules on Limited Partnerships, SEMWFL as LP is not involved in the day-to-day investment decisions. Therefore, investment decisions and exit decisions are delegated to the fund managers under Limited Partnership Agreement (LPA) for the fund.
The LPA sets out the respective responsibilities of each of the GP and LP. The LPA includes a schedule setting out Investment Operational Guidelines which details all the requirements specified by ERDF to govern the investment decisions of the fund manager.

<u>Due diligence and Investment Decisions</u>

Fund managers for each fund were selected under a competitive process.
Key elements of the selection included a thorough assessment of each bidder's investment process from potential investment selection, evaluation, detailed information of their due diligence process, Investment Committee, post investment monitoring and portfolio management practices etc.
Other elements of the selection process included track record of returns, investment team and governance practices.

<u>Governance</u>

Any issues with performance are discussed at LPAC meetings (refer to IMP3); where due diligence process can be scrutinised/reviewed should it prove necessary

</td></tr>
<tr><td rowspan="2">IMP6

(TMP6)</td><td>Reporting and management information, including where and how often monitoring reports are taken</td></tr>
<tr><td>Quarterly review by Financial Risk Oversight Board</td></tr>
</table>

	• Fund managers produce quarterly report setting out, inter alia: – Investments for the quarter and investments to date – Valuation of each portfolio investment – Details of exits – Details of valuation increases or impairments – By exception, performance of individual investment – A summary of market conditions, and challenges • Annually, the fund manager provides audited accounts for the funds • The performance and exit prospects of the remaining investments are included in quarterly board papers
IMP7 (TMP10)	Training and qualifications, including how the relevant knowledge and skills in relation to non-treasury investments will be arranged
	• The selection of the fund managers for each fund included an in-depth review of the skills and experience of each member of the investment team. • The team at SMEWFL in charge of monitoring and oversight of the fund manager and fund performance comprises highly experienced and qualified individuals in corporate finance, investment management and fund accounting. • CPD courses are arranged as relevant and appropriate

Impact Statement:
• The MMC LF deployed £12.7m alongside £109m from the private sector, across 19 London-based SMEs. • The fund delivered on the creation of c.1,183 jobs, • Returns from the fund have contributed £11m towards the creation of the GLIF funds. Further returns are expected in the medium term. These returns will be redeployed in accordance with SMEWFL's Evergreen Strategy.

Links:
MD 3231

Theme/Programme	London Co-Investment Fund (LCIF)
Inception Date	Dec 2014
Principal officer contact(s)	Puneet Bhatia, Fund Director puneet@londontreasury.org
Source of funds	£25m grant from the Growing Places Fund £1.4m investment from Funding London (SME Wholesale Finance (London) Ltd.
Total committed	£25m
Programme status	"Active"

Investment Management Practices

IMP1	Investment objectives
	• To enable London's innovative start-up businesses to raise the funding they need to succeed and progress to later stage rounds. • To improve the access that start-ups have to a broader set of investors. • To support the development of investors in the early-stage eco-system. • To improve the returns from early-stage investing over time. The programme was designed to develop and bolster the high-tech start-up, innovation and growth ecosystem in London and to provide funding to promising businesses and entrepreneurs to achieve the next stage of their growth journey. It has funded over 150 business. The programme has surpassed its stated objectives of achieving economic growth (current fund IRR stands at 10.3%) and creation of jobs (over 5,000 FTE jobs created vs. the initial target of 2,600).
IMP2	Investment criteria

	• Equity (and similar financial instruments) investments in early-stage businesses:
	• Stage - Early-stage businesses with characteristics including:
	    ○ been formed in the last 5 years,
	    ○ some evidence of product/ service market fit,
	    ○ teams of 2 -15 employees, with identified gaps and a plan to strengthen with the funding being raised
	    ○ initial revenues or an identified path to sustainable revenue generation
	    ○ a plan that allows for a cash runway of 12 months from the investment sought
	    ○ a technology/ product development plan that provides a material evidence of business progress, when achieved, and a path to the next fund raise

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Sectors -

Aligned with the Economic Strategy for London
Digital, science and technology space encompassing most innovative businesses in most sectors of the economy ranging from Fintechs to Business services and productivity technologies, Healthcare services and devices, clean technology, media & immersive, sharing and recycling, marketing & advertising, education, smart cities, AI and others.

Investment size -

LCIF initial investments up to a maximum of £350k
A target co-investment ratio of 3:1. This would translate to LCIF to be no more than 25% of any single funding round
Maximum LCIF investment in any one company over multiple follow-on rounds limited to no more than £1m, allowing LCIF to participate in later rounds, and to avoid dilution.
All investments should be subject to the total funding envelop available for the year.

Geographical restrictions -

Investees to have principal place of business in the 33 boroughs of London

Investment strategy document appended

</td></tr>
<tr><td rowspan="2">IMP3

(TMP1)</td><td>Risk management, including risk identification, controls, management and monitoring for any material non-treasury investment portfolios</td></tr>
<tr><td>

Reviewed by Financial Risk Oversight Board
Programme specific controls

LCIF Investment Committee (IC) to challenge, scrutinise and provide advice concerning recommendations by the investment team. The IC comprises

Chaired by the GLA SRO (currently the CIO)
Senior Executive team
LTL Head of Strategic Investments
Two independent sector experts with VC experience

DD criteria for partner selection and for individual investments.
Contractual Co-investment partner undertakings, representations and obligations.
Legal Investment Documents to include Fund investor rights including Information & Monitoring, Investor consents, Permitted transfers.
Annual audits of the portfolio holdings.
Fund Risk Register considered by Funding London Board, which meets quarterly.
Independent Review of the fund carried out at the end of its Investment Period, to document learnings and improve the fund activities in future.

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<tr><td rowspan="2">IMP4

(TMP2)</td><td>Performance measurement and management, including methodology and criteria for assessing the performance and success of non-treasury investments</td></tr>
<tr><td>

Yield and fair value to be reviewed by Financial Risk Oversight Board
Programme specific controls/performance measures

Approved portfolio monitoring and valuation processes, including:

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</table>

	▪ Regular engagement with management teams and investors, periodic reporting, ▪ Formal bi-annual valuation process in line with International Private Equity and Venture Capital (IPEV) Guidelines. ▪ Annual financial audit o Detailed performance measurement and valuation methodology/policy document available on request. o Impact assessment measured on a six-monthly basis through a survey of jobs created and diversity & inclusion metrics of the investee workforce. o Occasional additional portfolio analyses such as alignment with UN Sustainability Objectives.
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
	• LCIF is an English Limited Liability Partnership with two members: o Funding London (FL), a GLA managed entity and the original recipient of the Growing Places Fund Grant to fund LCIF. o London Treasury Limited, which replaced Capital Enterprise Ltd.(CE) in August 2024. CE is a membership organisation for start-ups, entrepreneurs and university technology transfer offices. CE was tasked with investment pipeline development and triage of direct inbound investment proposals. However, their involvement with the fund has come to an end. • FL is the sole member with a financial interest, albeit LCIF funds distribution is governed by a profit-sharing agreement, which transfers majority of profits to the GLA. This arrangement has been revised to allow LCIF to reinvest proceeds of sold holdings towards operational costs and new investments. • Following reorganisation and streamlining of GLA's investment management activities in 2023, the FL team has been absorbed in London Treasury Ltd. and continues to provide support to FL's funds, including LCIF. • The GLA CFO and the SRO have delegated authority to consider any amendments to the operating arrangements of LCIF including the Profit Sharing Agreement and the annual approval of the Investment Strategy. • The executive team undertakes the evaluation of due diligence and terms of the investment. The proposal is then put to the LCIF IC for consideration. Their approval and satisfactory completion of any conditions precedent is necessary for the investment to be completed. • LCIF may engage external legal advisers independently or jointly with co-investors, if the investment warrants such external input.
IMP6 (TMP6)	Reporting and management information, including where and how often monitoring reports are taken
	• Quarterly review by Financial Risk Oversight Board • The LCIF IC meets on a monthly basis to consider new investment proposals, as well as any other matters with relation to fund governance or conflicts.

	• THE FL Board which has the statutory responsibility for LCIF governance meets Quarterly. • LCIF Portfolio Review and Valuation exercise is carried out on a six monthly basis, overseen by the IC and approved by the FL Board. • LCIF LLP is audited annually by the external auditors of the FL Group. This includes a comprehensive review of the carrying values of the LCIF portfolio with significant sampling of individual investment valuations. The GLA auditors also consider LCIF audit and carry out their own review of the valuations for consolidation purposes.
IMP7 (TMP10)	Training and qualifications, including how the relevant knowledge and skills in relation to non-treasury investments will be arranged
	• The LCIF Executive Team has been recruited for their industry experience in investment and corporate financial management. • The LCIF IC members have relevant experience of managing public and private funds, VC investments, entrepreneurship and financial management. • The LCIF Executive team attends appropriate industry conferences (including BVCA events), investor meetings and networking events and workshops to keep abreast with the latest developments in the industry. • CPD courses are arranged as relevant and appropriate.

Impact Statement:
• Key programme achievements • As of September 2024, LCIF has invested £27.92m (including re-investment of returns) in 153 businesses. • The co-investment with LCIF has resulted in total funds deployed (including from contractual and non-contractual co-investors) amount to £414,141,170. This translates to £14.8 leveraged from private sector for each £1 invested by LCIF. • The fund has sold holdings in 30 companies, realising £12.5m Additionally, the live portfolio is valued at £38.56m. • Total fund value (live portfolio + uninvested cash) is valued at £45.78m, providing a cash multiple of ~2x the initial investment corpus. The fund IRR is estimated at 10.3% which is in the upper half of the industry returns, and just under the top quartile. • LCIF investees have created over 5,610 new fulltime jobs and safeguarded 449 jobs following the investment from LCIF and co-investors. • As per the most recent survey as of September 2024, the diversity profile of the LCIF investee workforce remains strong in comparison to industry metrics with 40% of workforce identifying as female and 20% from Minority Ethnic backgrounds. • Over 40% of LCIF investments have strong alignment with one or more UN Sustainability goals.

Links:

- MD3128
- MD2976
- MD2864
- MD2752
- MD2676
- MD2556
- MD2146
- MD1447
- MD1345

- https://fundinglondon.co.uk/our-funds

Theme/Programme	GLIF
Inception Date	1 April 2019
Principal officer contact(s)	Deputy Director, SME Investment maggie@londontreasury.org
Source of funds	Grants from: ERDF 2014-2020 Programme (£35m) GLA cash balances (£11.5m) SME Wholesale Finance cash balances (£11m) Loan from European Investment Bank (£50m) – now refinanced with a £30m credit facility from the London Treasury Liquidity Fund Grant recipient is GLIF Ltd acting as Holding Fund. GLIF is the main investor in the GLIF sub funds.
Total committed	£107.5m
Programme status	Active

Investment Management Practices

IMP1	Investment objectives
	• To provide finance for innovative, London-based SMEs to allow them to scale-up and achieve their growth ambitions • To make available a range of financial instruments (equity and debt) specifically created to provide finance where there remains evidence of persistent market failure in the SME funding ecosystem for London • To enable businesses that are seeking to scale-up to play a key role in supporting economic growth and job creation.

<table>
<tr><td></td><td>To support investments in the Circular Economy where investors tend to shy away given the unknown and unproven technologies and/or business models</td></tr>
<tr><td>IMP2</td><td>Investment criteria</td></tr>
<tr><td></td><td>
<table>
<tr><th>Instrument</th><th>Investment size</th><th>Criteria</th></tr>
<tr><td>Early-stage venture equity

Fund managed by competitively procured fund manager</td><td>£100k to £2m</td><td>High growth businesses between seed stage and Series A stage in sectors of strategic importance to the London economy; including specific support the circular economy.
Growth prospects capable of delivering returns between 5x to 10x amounts invested</td></tr>
<tr><td>Small loans for growth

Fund managed by competitively procured fund manager</td><td>£100k to £500k</td><td>Early-stage SMEs seeking debt facilities to expand their business who are able to service a loan facility</td></tr>
<tr><td>Large loans for growth

Fund managed by competitively procured fund manager</td><td>£500k to £1.5m</td><td>More established SMEs seeking debt facilities to grow who are able to service a loan facility
Funding will usually be drawn down in tranches subject to progress milestones</td></tr>
</table>
Businesses must be London-based and must demonstrate that they are unable to obtain some or all of the required finance from private sector investors
</td></tr>
</table>

	• Fund managers are subject to specific targets around portfolio diversification, expected returns and in the case of the loan funds, maximum default rates across the portfolios
IMP3 (TMP1)	Risk management, including risk identification, controls, management and monitoring for any material non-treasury investment portfolios
	• Reviewed by Financial Risk Oversight Board • Limited Partnership Advisory Committee (LPAC) for each product fund: – Assesses performance of Fund Manager against fund investment criteria and other targets. – Safeguards interests of funding providers – Considers conflicts of interest – Provides strategic input and consider ad-hoc decisions • LPAC members selected to include independent experts in the specific type of instrument/finance. Representatives from each funding organisation are also included in the LPAC • Quarterly reporting to funding providers (GLA, ERDF, London Treasury Liquidity Fund) to evidence compliance against each grant funding agreement as well as achievement of project objectives • Reporting to GLIF Board and Funding London board at quarterly board meetings including review of Risk Register and, up to 31 March 2024, compliance with EIB Facility covenants and other contractual obligations. • Limited Partnership Agreements for each fund govern the deployment of funds by the fund managers and set out key contractual obligations to comply with GLIF's external funding agreements, e.g. State Aid, Prohibited investments, Irregularities. • Fund Managers provide quarterly reports which must comply with GLIF's requirements and its own obligations towards funders
IMP4 (TMP2)	Performance measurement and management, including methodology and criteria for assessing the performance and success of non-treasury investments
	• Yield and fair value to be reviewed by Financial Risk Oversight Board • Quarterly fund manager reports to GLIF include valuation of each investment in the funds' portfolios.

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Venture fund portfolio measures TVPI against the industry benchmark (BVCA Annual Performance Survey). Equity Fund managers' remuneration is heavily weighted towards a profit share which kicks in after a hurdle return to GLIF (the main investor). A proportion of annual fees is also subject to performance of the portfolio investments
A proportion of the loan fund manager fees is subject to default rate of the portfolios. Quarterly loan fund reports detail any potential defaults and any other arrears.
GLIF as the main investor in each of the funds has the right to replace the fund manager in the event of underperformance

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<tr><td rowspan="2">IMP5
(TMP5)</td><td>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</td></tr>
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<u>Structure and Organisation</u>

GLIF Ltd acts as the holding fund. It is the main investor in the GLIF sub funds. Returns from the funds are distributed to the underlying funders via a Share of Profits Agreement.
GLIF Ltd has an independent board comprising SME funding experts. The members of the board are appointed by the board of SME Wholesale Finance. The board meets on a quarterly basis to review progress and there is also an Audit Committee. Members are:
<table>
<tr><td>David Prais</td><td>Early stage investor</td><td>Chair of the board
Audit committee</td></tr>
<tr><td>Pauline Barnett</td><td>SME debt expert</td><td></td></tr>
<tr><td>Richard Tray</td><td>Corporate Finance adviser</td><td>Audit committee alternate</td></tr>
<tr><td>Kevin Chong</td><td>Venture Capital investor</td><td>Audit committee</td></tr>
<tr><td>Maggie Rodriguez Piza</td><td>CEO SME Wholesale Finance</td><td></td></tr>
</table>

The structure of each product fund is a Limited Partnership where GLIF is the main Limited Partner (LP) and the relevant fund managers is part of the General Partners' (GP) group. As per the rules on Limited Partnerships, GLIF as LP is not involved in the day-to-day investment decisions. Therefore, investment decisions for the deployment of the GLIF product funds are delegated to the fund managers under individual Limited Partnership Agreements (LPA)for each product fund.

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- The LPA sets out the respective responsibilities of each of the GP and LP. Each LPA includes a schedule setting out Investment Operational Guidelines which detail all the requirements specified by each of the funders of GLIF to govern the investment decisions of the fund manager.

<u>Due diligence and Investment Decisions</u>

- Fund managers for each fund were selected under a competitive process.
- Key elements of the selection included a thorough assessment of each bidder's investment process from potential investment selection, evaluation, detailed information of their due diligence process, Investment Committee, post investment monitoring and portfolio management practices etc.
- Other elements of the selection process included track record of returns, investment team and governance practices.

<u>Governance</u>

- Any issues with performance are discussed at LPAC meetings (refer to IMP3); where due diligence process can be scrutinised/reviewed should it prove necessary
- Finally as the funds are partly financed by an ERDF grant, there are annual audits carried out on randomly selected investments where investment documentation is reviewed and scrutinised, including the due diligence and investment committee papers. Although the ERDF Programme which funded GLIF is now closed, there is still the possibility of EC Court of Auditors audits.

</td></tr>
<tr><td rowspan="2">IMP6

(TMP6)</td><td>Reporting and management information, including where and how often monitoring reports are taken</td></tr>
<tr><td>

- Quarterly review by Financial Risk Oversight Board
- Fund managers produce quarterly report setting out, inter alia:
  - Investments for the quarter and investments to date
  - Valuation of each portfolio investment
  - Details of exits
  - Details of valuation increases or impairments
  - Performance against funder requirements
  - Performance against other objectives such as job creation and demographics of management teams and employees
  - By exception, performance of individual investment
  - A summary of market conditions, and challenges
- Annually, the fund managers provide audited accounts for each of the product funds
- GLIF is obliged to produce quarterly reports for the funding organisations setting out the above information and including management accounts for GLIF,

</td></tr>
</table>

<table>
<tr><td></td><td>as the Holding Fund. GLIF's annual audited accounts are provided to all funding organisations
GLIF's quarterly report to funders is presented at the quarterly board meetings. The report is considered by the GLIF board, and if so decided, approved for submission to the SME Wholesale Finance board</td></tr>
<tr><td rowspan="2">IMP7

(TMP10)</td><td>Training and qualifications, including how the relevant knowledge and skills in relation to non-treasury investments will be arranged</td></tr>
<tr><td>The selection of the fund managers for each fund included an in-depth review of the skills and experience of each member of the investment team.
The team at GLIF in charge of monitoring and oversight of the fund managers and fund performance comprises highly experienced and qualified individuals in corporate finance, investment management and fund accounting.
CPD courses are arranged as relevant and appropriate</td></tr>
</table>

Impact Statement:
- At 31 December, the funds have deployed £95.1m alongside more than £494m from the private sector, across 162 London-based SMEs. A further £4.7m will be deployed via follow on investments by the equity fund. £10m additional commitment has been secured for the loan funds to deploy during 2025.   - GLIF has already delivered on the creation of 3,050 jobs, substantially surpassing the programme target. Further jobs will be delivered as the portfolio companies move forward with future funding rounds.   - GLIF was launched with a firm target to invest at least 20% of the fund (£20m) in businesses founded or led by underrepresented entrepreneurs. As at 31 December 2024, funds invested in underrepresented entrepreneurs totalled £42.7m equivalent to 44% of funds deployed to that date.   - Eighty-six SMEs founded or led by underrepresented entrepreneurs have received investment; of which 58 businesses are led by women, 45 by BAME entrepreneurs from a Black, Asian or minority ethnic background and three by disabled entrepreneurs.

Links:
- MD2146   - MD2086   - MD2237   - MD2367   - MD2408

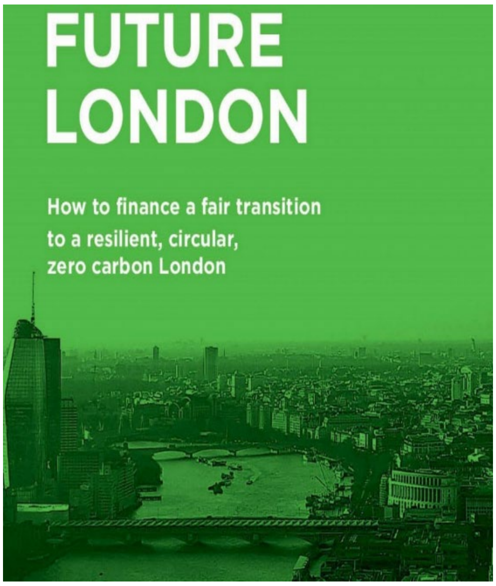
- https://fundinglondon.co.uk/our-funds

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.



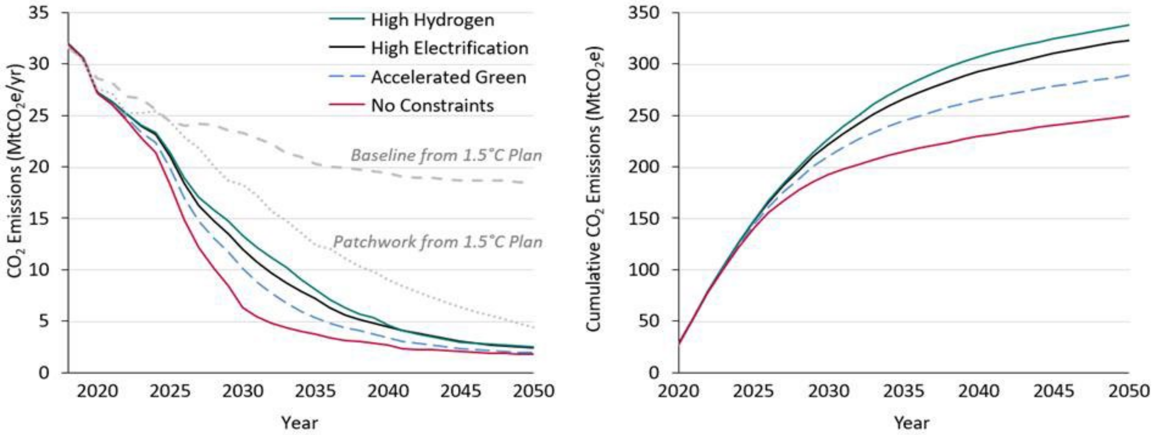

1.3: London Net Zero 2030: An Updated Pathway

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.



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

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

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

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

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

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

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

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[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

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



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

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

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

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

Section 2: London Green Financing Framework

2.1: Framework Overview

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

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

The Framework applies the four core components of the Principles as its basis, being:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

2.1.1: Use of Proceeds

An amount equivalent to the net proceeds raised pursuant to this Framework will be exclusively applied to finance, or refinance, in part, or in full, new or existing, eligible green projects (the "Eligible Projects") that fall within the eligible green project categories defined below. The distribution between new financing and refinancing will be reported on in annual Green Bond 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)
[5] Green_Loan_Principles_Feb2021_V04.pdf (lma.eu.com)

Eligible Green Project Categories:

Eligible Green Project Categories and Indicative Alignment to the SDGs	Description	Core Indicators	Other Indicators
Renewable Energy  	Financing investments to decarbonise and increase flexibility of the energy system. Investments will be dedicated to generation, transmission and distribution and storage of energy, from renewable and secondary or waste heat sources operating at lifecycle emissions of less than 100gCO_2e /kWh. This category includes schemes that contribute to the decarbonisation and flexibility of the energy system. Investments will also be available for the utilisation of secondary or waste heat sources, often in conjunction with heat pumps, in district heat networks, system level storage and demand management or flexibility services.	Annual greenhouse gas emissions (GHG) reduced and/or avoided in tonnes of CO_2 equivalent Installed renewable energy capacity (MW) Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy saving)	Number of heat network supported Installed storage capacity in kW/MW

	Biomass for combustion is not included.		
Energy Efficiency	Financing investments that improve energy efficiency in existing buildings to improve the EPC ratings with the aim of helping London's buildings get to an average EPC B rating. Expectations will be to improve buildings: - by a minimum of one and preferably by two EPC bands - to uplift the energy efficiency score (or reduce consumption) of a building by at least 30%, or - to get to a 'good practice' Energy Utilisation Index (EUI measured in kWh/m2) for the building according to its typology.	Annual (GHG) emissions reduced/avoided in tonnes of CO_2 equivalent Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings)	Percentage reduction in building/portfolio energy demand compared to pre-intervention baseline Pre- and post-intervention Energy Utilisation Index (EUI) for building/portfolio in kWh/m2

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

	vehicle charging points) • infrastructure to support expansion of active travel modes and options, specifically walking and cycling infrastructure.		Km of paths for cycling

Exclusion Criteria:

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

2.1.2: Process for Project Evaluation and Selection

Criteria	Detail
Eligible Organisations+	GLA Group, London local authorities, Social Housing Providers, NHS bodies, Universities, 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:

- Chief Finance Officer, who will chair the Credit Committee
- Executive Director, Good Growth
- Chief Investment Officer (or another qualified person as agreed by the chair)
- 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 CO_2 consumption by 387 tonnes per annum.

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

SDGs Supported

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

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

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

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

SDGs Supported

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

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

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

The scheme provides heat to 2,175 households and has forecast to save 1,774 tonnes of CO_2 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:

- Chief Finance Officer, who will chair the Credit Committee
- Executive Director, Good Growth
- Chief Investment Officer (or another qualified person as agreed by the chair)
- 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 2026 Scope

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 ("FCA") 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 limited partners including the GLA and its functional bodies.

4. SME Wholesale Finance (London) Limited* which trades as Funding London ("FL") – a GLA-managed 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 LTLF GP 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 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 CEO. 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 LTLF GP for these services, with LTLF GP receiving a priority profit share from LTLF. The management fee is estimated at £2.43m for 2025-26, up from £1.82m in 2024-25; this increase is due to changes to apportionment models and expenditure on increased systems and staffing resilience linked to the significant growth in assets under management arising from TFL's increased investment as a limited partner. 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 £1.82m for 2025-26. To comply with prevailing corporation tax principles, London Treasury is obliged to apply a markup to services it provides. This has been set at 10%, subject to ongoing tax review. The surplus generated as a result of this may be returned to the GLA as a dividend and/or used to offset any growth in regulatory capital requirements for London Treasury, that would otherwise require additional equity investment by the GLA. The overall cost, including the GLA's share of LTLF costs is estimated to be £4.4m, compared to £4.3m for 2024-25. This though is amply covered by the estimated investment income of £79.2m which the GLA will receive from LTLF. 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 £0.83m for 2025-26. As FL is part of the LTL VAT group, this is VAT neutral.

The investment income of LTLF is estimated to be £127.7m based on current projections for 2025-26. 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 functional bodies in the GLA's treasury management shared service.

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

Overall budgeted impacts for the GLA are summarised below.

£000s	**2024-25**	**2025-26**	**Variance**
LTL direct charge to the GLA[1]	1,682	1,820	(138)
GLA share of LTLF's fund expenses[2]	2,902	2,680	222
GLA Group Treasury staff costs[3]	87	-	87
Total costs	**4,671**	**4,500**	**171**
GLA recharge to shared service participants	(240)	(274)	34
LTL dividend[4]	(115)	-	(115)
Total income (excluding investment income)	**(355)**	**(274)**	**(81)**
Net position (excluding investment income)	**4,316**	**4,226**	**90**

[1] Cost of providing treasury management and green finance services to the GLA
[2] GLA share estimated at 68% in 2024-25 and 62% in 2025-26; these costs are netted off the GLA share of LTLF's investment income which is estimated will be £79.2m
[3] Previously the CIO of the GLA and the MD of LTL were the same person providing part time services. The roles have now been split, and LTL will have a full-time CEO. For the purposes of the LTL budget, we are not including the cost of replacing the CIO in the GLA.
[4] The payment of dividends is dependent on the FCA capital adequacy requirements. If the share capital is increased, dividends should be able to be paid.

Budget Table for 2025-26

LTL Budget									
Year	**2025-26**								
	P&L	**LTL**	**LTLF GP**	**LTLF**	**SME**	**GLIF**	**LCIF**	**Consol adj**	**LTL Group**
		Total	**Total**	**Total**	**Total**	**Total**	**Total**		**Total**
P1000	Grant income	-	-	-	403,142	283,176	-		686,318
P1100	Loan Interest receipts	-	-	107,601,250	-	2,752,884	-		110,354,134
P1110	Bank interest	-	-	-	1,000	40,000	247,500		288,500
P1111	Mgmt fee	2,431,752	-	-	-	-	-	(2,431,752)	-
P1112	PPS	-	2,674,928	-	-	-	-	(2,674,928)	-
P1113	GLA income	1,819,670	-	-	-	-	-		1,819,670
P1140	Recharged income	830,197	-	-	754,571	-	-	(1,584,768)	-
P1160	Dividend distribution	-	-	20,133,750	-	-	-		20,133,750
P1145	Proceeds utilised	-	-	-	-	-	495,383		495,383
INCOME		**5,081,619**	**2,674,928**	**127,735,000**	**1,158,713**	**3,076,061**	**742,883**	**(6,691,448)**	**133,777,755**
P3110	Gross pay	(3,034,775)	-	-	(642,726)	(162,944)	(338,673)	1,144,342	(3,034,775)
P3130	Employers Pension	(288,304)	-	-	(61,059)	(15,480)	(32,174)	108,712	(288,304)
P3140	Employers NI	(426,716)	-	-	(90,896)	(23,317)	(48,101)	162,314	(426,716)
P3150	Other staff costs	-	-	-	(316,752)	-	-		(316,752)
P3151	Consultancy Fees/ Contractors	(215,000)	-	-	-	-	-		(215,000)
P3160	Payroll bureau	(2,067)	-	-	-	-	-		(2,067)
P3170	Recruitment fee	(73,600)	-	-	-	-	(12,000)	12,000	(73,600)
P3181	Meeting refreshments	-	-	-	(11,516)	(200)	(200)	400	(11,516)
P3190	Training	(35,315)	-	-	(1,300)	-	(3,000)	3,000	(36,615)
P3210	Travel	(3,050)	-	-	(500)	-	(360)	360	(3,550)
STAFF		**(4,078,826)**	**-**	**-**	**(1,124,749)**	**(201,940)**	**(434,508)**	**1,431,129**	**(4,408,894)**
P3300	Rent	(90,270)	-	-	(51,307)	(7,696)	(28,219)	35,915	(141,577)
P3301	Storage	-	-	-	(389)	-	(214)	214	(389)
P3302	Meeting rooms	(3,672)	-	-	(35,043)	(1,150)	(3,000)	4,150	(38,715)
P3310	IT	(150,081)	-	(88,689)	(41,958)	(720)	(5,140)	5,860	(280,728)
P3311	Comms	-	-	-	(117)	-	(240)	240	(117)
P3312	Websites/Domains	(2,600)	-	-	(2,096)	-	-		(4,696)
P3320	Postage	-	-	-	(50)	-	-		(50)
P3321	Printing & Stationary	(8,520)	-	-	(800)	-	-		(9,320)
P3322	Magazines, Journal books	(4,945)	-	-	-	-	-		(4,945)
P3350	Misc Expenses	-	-	-	(173)	-	-		(173)
P3360	Office Equip	(2,167)	-	-	(3,000)	-	-		(5,167)
P3370	Alloc Corporate costs	-	-	-	(35,516)	-	-	35,516	-
ESTABLISHMENT		**(262,254)**	**-**	**(88,689)**	**(170,449)**	**(9,566)**	**(36,813)**	**81,896**	**(485,876)**
P3400	Audit	(73,000)	(8,500)	(31,800)	(33,761)	(43,482)	(34,313)		(224,856)
P3401	Accountancy	(34,850)	(1,200)	(1,000)	-	-	-		(37,050)
P3410	Legal	(90,560)	-	(118,000)	(5,000)	(25,000)	(25,000)		(263,560)
P3420	Other Prof	(54,112)	(1,885)	(38,179)	(74,792)	(45,000)	(45,000)		(258,968)
P3421	HR Advice	(41,552)	-	-	-	-	-		(41,552)
P3430	Subscriptions	(7,611)	-	-	(2,289)	(13)	(13)	26	(9,899)
P3431	FCA/Compliance	(27,182)	-	(142,886)	-	-	-		(170,068)
P3440	D&O Insurance	(31,967)	-	-	(40,071)	(7,285)	(5,874)	13,159	(72,038)
P3460	External Marketing	(49,300)	-	-	(12,357)	-	-		(61,657)
P3480	Transaction costs	-	-	(3,600)	-	-	(125,000)		(128,600)
P3481	Events	(12,500)	-	(8,000)	(7,000)	-	(10,000)	10,000	(27,500)
P3490	Custody fees	-	-	(35,031)	-	-	-		(35,031)
P3491	Depository fees	-	-	(194,700)	-	-	-		(194,700)
P3495	Internal Mgmt fees	-	(2,431,752)	-	-	-	-	2,431,752	-
PROFESSIONAL FEES		**(422,633)**	**(2,443,337)**	**(573,197)**	**(175,270)**	**(120,780)**	**(245,200)**	**2,454,938**	**(1,525,480)**
P3510	Loan Interest expense	-	-	-	-	(1,291,687)	-		(1,291,687)
P3550	Bank charges	(1,020)	-	-	(500)	(4,598)	(500)		(6,618)
P3570	Irrecoverable VAT	(151,461)	(2,317)	-	(30,709)	(22,696)	(25,863)	48,559	(184,487)
FINANCING COSTS		**(152,481)**	**(2,317)**	**-**	**(31,209)**	**(1,318,982)**	**(26,363)**	**48,559**	**(1,482,792)**
P3600	PPS	-	-	(2,674,928)	(80,000)	(909,721)	-	2,674,928	(989,721)
P3601	FM audit	-	-	-	(24,333)	(56,650)	-		(80,983)
P3602	Other Costs	-	-	-	(9,000)	(458,422)	-		(467,422)
P3604	Perf fees	-	-	(33,104)	-	-	-		(33,104)
P3605	Fund manager fees	-	-	(829,350)	-	-	-		(829,350)
P3606	Admin fees	-	-	(123,900)	-	-	-		(123,900)
FUND MANAGER COSTS		**-**	**-**	**(3,661,281)**	**(113,333)**	**(1,424,793)**	**-**	**2,674,928**	**(2,524,480)**
PROFIT BEFORE TAX		**165,425**	**229,274**	**123,411,833**	**(456,297)**	**(0)**	**-**	**0**	**123,350,234**
CORPORATION TAX		(41,356)	(57,318)	-	-	-	-		(98,675)
DEEMED DISTRIBUTION TO PARTNERS		-	-	(123,411,833)	-	-	-		(123,411,833)
TOTAL		**124,068**	**171,955**	**-**	**(456,297)**	**(0)**	**-**	**0**	**(160,274)**
NOTE:	SME is shown a loss in year but its being funded by the proceeds from 2 years ago								
NOTE:	These are distributions made to the limited partners via their loan or core accounts								

MD3362 Appendix 4

London Treasury

London Treasury

Annual Review and Business Plan

Foreword from the Chair

In the eighteen months since becoming Chair of London Treasury, I have seen the transformation of the company from an emergent organization to a 35-strong team of professionals sharing clarity of mission and capacity to embark on the next phase of development.

Whilst a significant aspect of LTL's mission will always include the delivery of the Treasury Shared Service to the GLA Group, together with harnessing the significant benefit of the London Treasury Liquidity Fund strategy and supporting the Mayor's impact driven agenda, London Treasury is at the cusp of expanding its reach to help deliver transformative solutions across the wider London public sector and beyond.

In his own foreword overleaf, Luke Webster, our outgoing CEO, provides an excellent overview of the many achievements of the team during 2024-25 alongside his own reflections for the future.

We say goodbye to Luke as CEO with gratitude and in recognition for the extraordinary team he has built and with a commitment to carry forward the vision.

In due course, we will welcome his successor and support them in the mission of growing London Treasury's client and co-investor base, supporting the Mayor's mission to attract impactful inward investment to London and increasing the reach of the significant benefits the firm and LTLF have delivered to the GLA Group and its existing partners.

I would like to express my thanks to my colleagues on the board, to Luke and the executive team for all that has been achieved to date and look forward to building on this going forward.

Sir Harvey Mcgrath
Chair

March 2025

Foreword from the CEO

I have the unusual task of writing this foreword to the year ahead in the knowledge that I will only be at the firm's helm for one month of it. Nevertheless, as the search for my successor concludes, I am confident that an exciting period awaits that person and the company at large.

The past year has included many notable successes, with highlights including further integration of our excellent colleagues from Funding London, the GLA's SME investment arm; major new systems implementation across finance, investment and treasury, embedding further resilience and enhancing our reporting capabilities; TfL committing substantial further funds to the London Treasury Liquidity Fund (LTLF), cementing that structure's status as the central repository for cash within the GLA Group, and delivering further economies of scale, positioning the fund well for attracting new Limited Partners; the collaboration with TfL has also led to streamlining back office processes and secondment of talented members of TfL's treasury staff, enriching LTL's investment team's existing capabilities; other areas have made a range of excellent new hires, and at long last the structure is fully staffed to deliver on the board's vision on behalf of the Mayor; our SME investment programme has successfully secured new funds and partnerships with co-investors, restructured expensive leverage and supported a range of exciting early stage businesses, creating growth, jobs and opportunity within the capital, either through investing directly or preparing founders to raise funds; our impact investment team has successfully prepared another climate budget and supported significant local decarbonisation investment, via the London Climate Finance Facility, notably developing strategic partnerships with public and private capital providers, including the National Wealth Fund and Sustainable Development Capital LLP.

Finally, my own departure has provided an opportunity to separate the role of London Treasury's CEO from that of the GLA's CIO. This means the postholder will be able to dedicate their full attention to the central mission of growing London Treasury's client and co-investor base, thereby securing ever better value for money for the taxpayer, supporting the Mayor's mission to attract impactful inward investment to London and increasing the reach of the significant benefits the firm and LTLF have delivered to the GLA Group and its existing partners.

It has been my great privilege to oversee the development from concept to this stage and have no doubt that my skilled and dedicated colleagues will keep bright the chain.

Luke Webster
CEO

March 2025

Mission and Values

We combine **deep expertise** in multi-asset strategic investments, corporate treasury, impact and SME investment to deliver transformative solutions for the public sector

Our work is underpinned by consistent values

- Integrity
- Expertise
- Resilience
- Excellence

Our Service Lines

London Treasury Liquidity Fund (LTLF)

Our innovative partnership pools local authority cash, using scale to dilute management costs and unlock the benefits of resilience, expertise and diversification

LTLF is a unique long-term agreement between participating public bodies to deliver daily access to liquidity while equitably sharing returns from pooled investments

Treasury Shared Service

We provide integrated treasury services through the GLA's collaborative shared service arrangements to enhance efficiency and service resilience and to identify opportunities for savings and risk reduction

Impact Investment and Analysis

We provide support for projects that help London meet its net zero ambitions, including supporting climate budgeting across London and enabling local authorities and other public sector bodies to secure finance from the GLA to achieve net zero targets

Funding London: SME Investment

We provide early-stage investment to London-based SMEs caught in the funding gap

London Treasury Leadership Team

Service Lines

CEO
Luke Webster

Interim Deputy CEO
Deputy Director – SME Investment
Maggie Rodriguez Piza

CIO - London Treasury Liquidity Fund
Richard Tomlinson

Deputy Director – Treasury and Shared Service Delivery
Nigel Mascarenhas

Deputy Director – Impact Investment
Kenroy Quellennec-Reid

Corporate

Chief Operating Officer
Solene Delion

Chief Financial Officer
Candida Flowers

Chief Risk Officer
Rob Plumridge

Company Secretary and Head of Governance
Isabelle Pocock

2024-25 A Year of Consolidation

- **Team** grew to 35 members with all service lines fully staffed and key corporate posts in place
    - Focus on team development and training
- Incorporated **technology** solutions to the back-office activities which will bring additional controls, efficiencies and higher levels of service to clients. The implementation of TreasuryLive is well underway
- **Governance, compliance** and **risk management** enhanced, with processes and procedures strengthened
- **Brand** refresh and new website
- Well-positioned to embark on the next phase of **growth** by expanding London Treasury's offering outside of the immediate GLA family

2024-25 Key Achievements

London Treasury Liquidity Fund (LTLF)

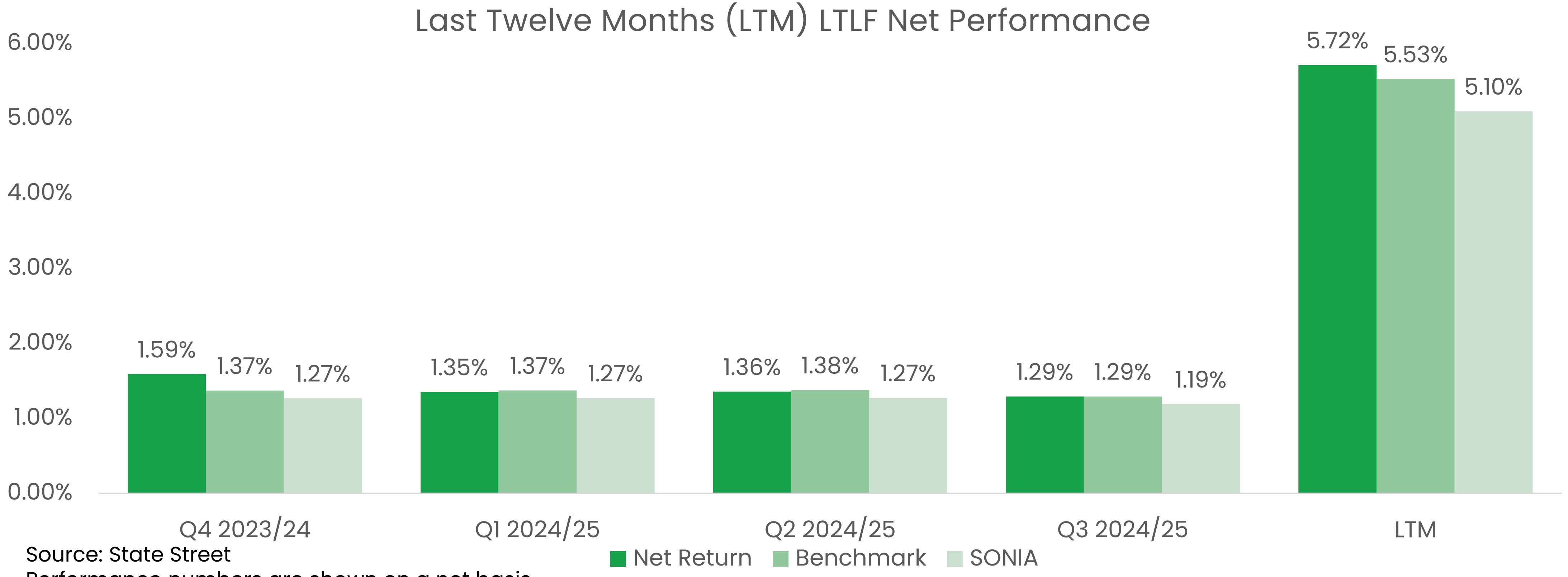
- AUM of £2.7bn at 31 December 2024
- Substantial deployment of capital under strategic investments allocation; £110m across several funds
- Two-year anniversary of LTLF operating under the current alternative investment fund structure
- Implementation of the Quantum treasury management system
- Outsourcing of LTLF-related back office activities to TfL with effect from January 2025
- Advanced discussions with first London borough to join the fund

The London Treasury Liquidity Fund (LTLF)

Rolling 12-month performance to 31 December 2024

LTLF returned 0.19% net over benchmark and 0.62% net over SONIA for the 12 months to December 2024

LTLF: 5.72% Benchmark: 5.53% SONIA: 5.10%

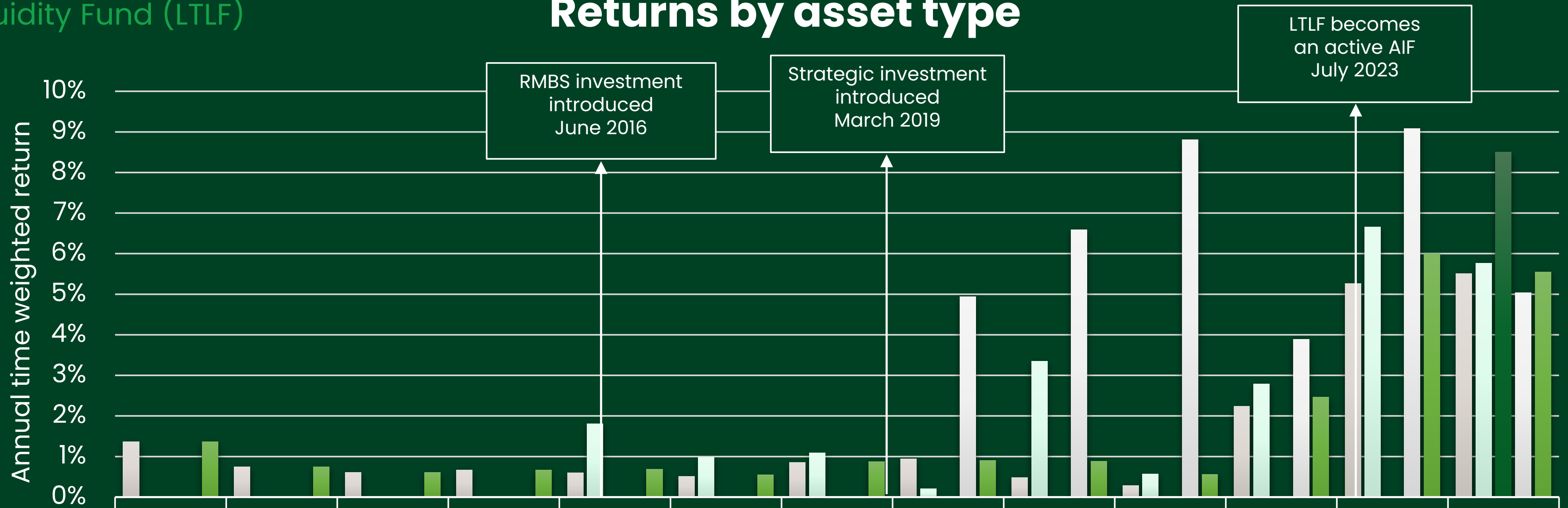


Source: State Street
Performance numbers are shown on a net basis
Past performance is not a reliable indicator of future results

Performance history

LTLF and preceding arrangements

Returns by asset type



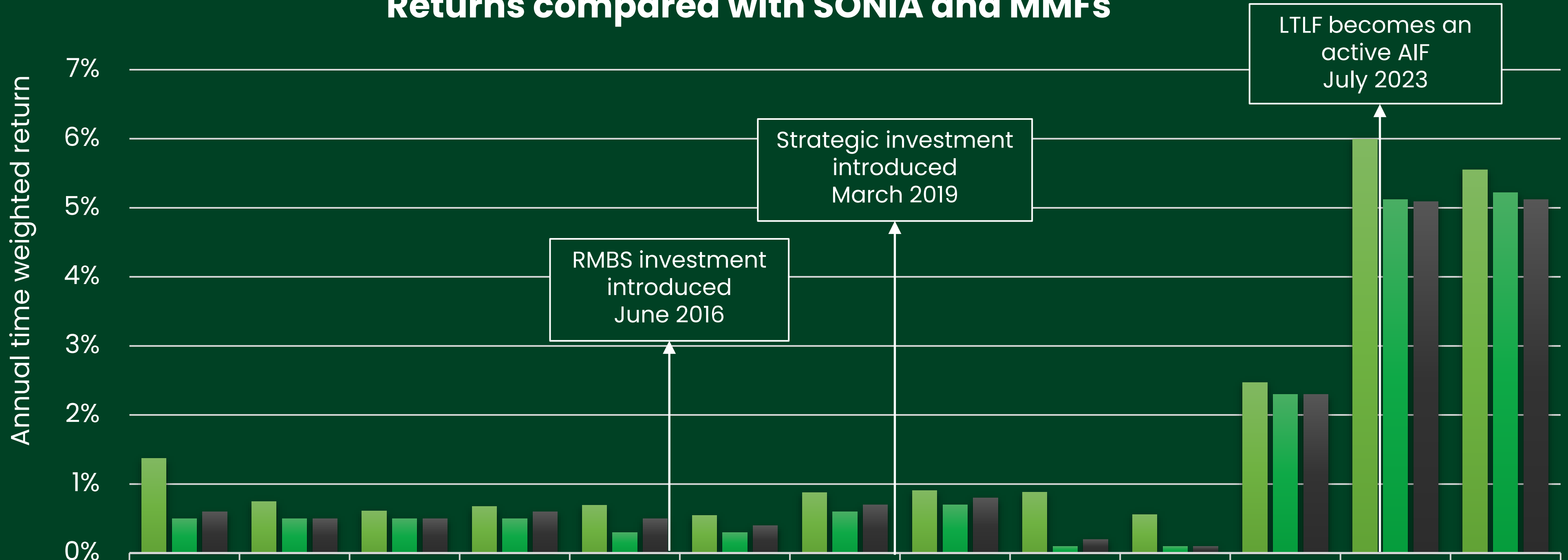
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25*
Core	1.4%	0.7%	0.6%	0.7%	0.6%	0.5%	0.9%	0.9%	0.5%	0.3%	2.2%	5.3%	5.5%
RMBS					1.8%	1.0%	1.1%	0.2%	3.4%	0.6%	2.8%	6.7%	5.8%
Strategic Lending													8.5%
Strategic Investments								4.9%	6.6%	8.8%	3.9%	9.1%	5.0%
LTLF Portfolio	1.4%	0.7%	0.6%	0.7%	0.7%	0.5%	0.9%	0.9%	0.9%	0.6%	2.5%	6.0%	5.6%

Source: Fathom Financial Consulting Limited, State Street (from FY 2023-24) *Annualised 9-month performance from 01/04/24 to 31/12/24
Performance numbers are shown on a gross basis
Past performance is not a reliable indicator of future results

Returns have consistently out-performed SONIA and Money Market Funds (MMFs)

LTLF and preceding arrangements

Returns compared with SONIA and MMFs



	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25*
LTLF Portfolio	1.4%	0.7%	0.6%	0.7%	0.7%	0.5%	0.9%	0.9%	0.9%	0.6%	2.5%	6.0%	5.6%
SONIA	0.5%	0.5%	0.5%	0.5%	0.3%	0.3%	0.6%	0.7%	0.1%	0.1%	2.3%	5.1%	5.2%
MMF	0.6%	0.5%	0.5%	0.6%	0.5%	0.4%	0.7%	0.8%	0.2%	0.1%	2.3%	5.1%	5.1%

Source: Fathom Financial Consulting Limited, State Street (from FY 2023-24) and MUFG Corporate Markets (MMF gross performance averages)
Performance numbers are shown on a gross basis
SONIA calculated using the ICE BofA SONIA Overnight Rate Index
Past performance is not a reliable indicator of future results

*Annualised 9 month performance from 01/04/24 to 31/12/24

2024-25 Key Achievements

Treasury Shared Service

- Treasury team fully operational with experienced members at all levels
- Successfully transitioned the team from the GLA to London Treasury whilst maintaining close working relationships with the GLA and shared service participants
- Delivering treasury services to all participants in the GLA's shared service and achieving cost effectiveness
- Good progress made with internal audit recommendations and progressing TreasuryLive implementation

2024-25 Key Achievements

Impact Investment and Analysis

- Launch of the London EDGE Fund and secured carried interest for London Treasury
  - £100m third-party managed fund seeking to scale up to £500m investment over time to support a major pipeline of low carbon projects across London
  - A 50:50 co-investment fund between the GLA and Sustainable Development Capital LLP (SDCL)
- Responsible investment implementation framework developed for LTLF
  - Outlines how the GLA Group Responsible Investment Policy will be implemented for LTLF
- Climate budgeting work for boroughs expanded
  - 20 London boroughs now involved
  - Five workshops delivered

2024-25 Key Achievements

Green Finance Fund (GFF)

- **The Mayor's GFF allocated £42.5m to new projects, bringing the total support to date to £260m**
  - The GFF supports projects from GLA Group entities, local authorities and other public sector institutions including the Museum of London
  - Interest from other sectors arising from previous projects funded, for example discussions with Rugby Union as a result of support for the London Stadium roof

GHG Emissions Savings
32,140 tCO e

Energy Saved Per Annum
40,349 MWh

Renewable Energy Generated Per Annum
3,461 MWh

Source: Project estimates and Impact Team analysis

Case Study

London Legacy Development Corporation (LLDC)

Finance for solar membrane for the London Stadium

- Procure and install solar PV membrane on the roof of the London Stadium
- 7,655 m2 of solar membrane panel coverage on the stadium roof

Project expected to achieve

1,077 MWh

per annum in renewable energy generated

270 tCO2e

per annum in reduced greenhouse gas emissions

2024-25 Key Achievements

London Co-Investment Fund (LCIF)

- **Exits to date have generated £12.5m of proceeds from realisations**
- **The fund's key performance statistics are[1]:**
  - Distributions to paid-in capital (DPI) of 0.50x
  - Total Value to paid-in capital (TVPI) of 1.8x

  placing the fund in the top 25% per BVCA's performance measurement survey[2]
- **During the year, LCIF continued to redeploy these exits in:**
  - Continued support for existing portfolio companies in follow on funding rounds
  - Investments in new companies in key sectors for London, including EV charging, AI assisted healthcare technologies, business productivity software
- **A proportion of available proceeds from realisations will support the raising of a further £50m to £100m from the private sector to support early-stage businesses in London at scale in 2025-26**

(1) *At 30 September 2024*
(2) *BVCA Performance Measurement Survey, 2023, TVPI for venture funds 2002 vintage onwards*

2024-25 Key Achievements

Greater London Investment Fund (GLIF)

- During 2024, GLIF funds deployed £7.35m alongside a further £70.7m from private sector investors
- To date, the funds have deployed £95.1m alongside c.£494m of private sector investment
- A further £10m was secured for the loan funds to deploy during 2025, allowing this crucial support of SMEs at the smaller end of the market where bank lending is extremely difficult to secure
- Secured approvals for early equity exits to contribute towards LCIF's fundraising efforts in 2025-26

Jobs created
3,050

£42.7m invested in 86 businesses led by underrepresented founders

Source: Fund Managers' reports and GLIF analysis

2024-25 Key Achievements

Investment Readiness Programme

SMEs supported to date

105

Total amount raised

£7.5m

Jobs created by alumni

30

Diverse founders supported to date

92

Source: programme participant reporting

2024-25 Key Achievements

Corporate

Risk and Compliance

- Systems in place to ensure we meet our regulatory obligations and keep pace with regulatory developments
    - Risk management framework and ICARA developed and approved by the London Treasury board
    - Compliance policies strengthened
- Regulatory training programme established across the organisation

Equality Diversity and Inclusion

- Established EDI agenda which is aligned with the wider GLA CFO Directorate action plan
    - Every team member has EDI targets
    - Team completed mandatory training enabling diverse interview panels
    - Team pulse survey allows us to identify areas of concern and address those

Finance

- Implementation of new accounting system enabling excellence in management information
    - Enabling reporting to support strategic decisions

2025-26 Strategic Priorities – Service Lines

London Treasury Liquidity Fund (LTLF)

- Grow AUM and expand investor base beyond current partners
- Expand investors in the fund to include at least four London boroughs
- Evaluate wider range of instruments to achieve better diversification of core liquidity and potential for increased returns
- Rebalance strategic investments and increase deployment of strategic lending allocation

Treasury Shared Service

- Harness the power of the TreasuryLive system for the benefit of the shared service participants
- Seek to develop efficiency targets with participants
- Continue to improve the quality of services to each shared service participant

Impact Investment and Analysis

- Continue GFF pipeline building, aiming to secure £80m of new loans approved by the GLA
- Expand GFF lending capacity by securing additional capital of c.£100m
- Secure commitment from the London EDGE Fund to support at least £30m of projects
- Continue climate budget work including supporting clients in refining their processes
- Use data from previous three years of climate budgeting to refine offering and add value

Funding London: SME Investment

- Raise a new £100m London co-investment fund with £10m cornerstone from available returns from previous funds
- Secure permissions to reinvest ERDF legacies to enable further support to SMEs via fund activity in the medium term
- Secure extension of the Investment Readiness Programme

2025-26 Strategic Priorities – Corporate

Risk and Compliance

- Define London Treasury's risk appetite statement
- Enhance the risk register to include a risk management information dashboard
- Develop further London Treasury's compliance policies and compliance manual
- Build out the compliance monitoring plan to monitor ongoing compliance across London Treasury's business activities

Finance

- Complete the tax risk review including transfer pricing analysis
- Review procedures and automation of basic accounting tasks to enhance efficiencies and controls
- Evaluate potential benefits of incorporating audit committee and/or internal audit function
- Enhance management reporting to aid strategic decisions

Equality Diversity and Inclusion

- Continue pulse surveys every six months
- Continue participating in further training modules available from the GLA
- Continue to support the wider GLA CFO Directorate action plan

Marketing and Comms

- Establish London Treasury's social media channels: LinkedIn and newsletter
- Create programme of content for 'Media and insights' page on the new website
- Amplify brand awareness through PR

Budget Highlights

- 2025-26 Budget is set out overleaf
- Key expenditure items are:
  - Fully staffed teams across the organisation
  - Full time CEO
- The profit shown is based on cost plus 10%
  - London Treasury and LTLF GP are subject to transfer pricing rules
  - This is subject to a transfer pricing review which is due to be completed by the end of March 2025

2025-26 Budget

	LTL	LTLF GP	LTLF	SME	GLIF	LCIF	Consol adj [3]	LTL Group
Income	5,081,619	2,674,928	127,735,000	1,158,713	3,076,061	742,883	(6,691,448)	133,777,755
Staff	(4,078,826)	-	-	(1,124,749)	(201,940)	(434,508)	1,431,129	(4,408,894)
Establishment	(262,254)	-	(88,689)	(170,449)	(9,566)	(36,813)	81,896	(485,876)
Professional Fees	(422,633)	(2,443,337)	(573,197)	(175,270)	(120,780)	(245,200)	2,454,938	(1,525,480)
Financing Costs	(152,481)	(2,317)		(31,209)	(1,318,982)	(26,363)	48,559	(1,482,792)
Fund Manager Costs			(3,661,281)	(113,333)	(1,424,793)		2,674,928	(2,524,480)
Profit Before Tax	165,425	229,274	123,411,833	(456,297)	-	-	-	123,350,234
Corporation Tax	(41,356)	(57,318)	-	-	-	-	-	(98,675)
Deemed Distribution to Partners [1]	-	-	(123,411,833)	-	-	-	-	(123,41,833)
Funded by Proceeds [2]				456,297				456,297
Total	124,068	171,955	-	-	-	-	-	296,023

Notes:

[1] These are distributions made to the Limited Partners of LTLF via their loan or core accounts

[2] SME shows a loss in year but this is funded by reserves arising from proceeds from exits in previous years

[3] The consolidation above is only for budget purposes. LTL, LTLF GP, SME, LCIF and GLIF are direct or indirect subsidiaries of the GLA

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