

MAYOR OF LONDON

Greater London Authority Treasury Management Strategy Statement and Minimum Revenue Provision Policy 2026-27

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*** indicates section reserved for Mayoral approval**

1. Introduction

- 1.1. This document, the Greater London Authority's (GLA's) Treasury Management Strategy Statement (TMSS) for 2026-27 and its Annexes have been prepared in compliance with 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 MD3485.
- 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). The GLA's MRP policy for 2026-27 is 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.
- 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 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) deliver technical, financial, and strategic support to develop and manage initiatives that advance the GLA's environmental, net zero, and infrastructure goals.
 - (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 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)
 - (f) the Oxford Street Development Corporation (OSDC).
- 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 and OSDC are 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 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. The CFO will act in accordance with the GLA's policy statement and TMPs and, if a CIPFA member, 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 2026-27. There is a circular relationship between prudential indicators and the budget and capital spending plan:
- the indicators are calculated from the budget and capital spending plan
 - 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 22.12.25													
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
50 yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

- 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 and their team seek to ensure that the maturity profile of debt is broadly matched to the downward trajectory of the CFR under the effect of MRP and any planned application of other resources.
- 6.3. The GLA's prudent approach to borrowing is characterised by matching interest rate structures to the behaviour of the relevant revenue streams used for funding interest and repayments and close matching of maturity profiles to expected cash flows available for debt repayment.
- 6.4. Where possible, the GLA will focus on mitigating the risk of future interest rate rises by securing future drawdowns of funding at rates agreed in advance, while using short-term finance to manage immediate cash flow needs.
- 6.5. Where it is likely to lead to lower interest and/or administrative cost, the GLA will consider borrowing on behalf of its functional bodies.
- 6.6. Where possible, the GLA will top-slice the concerned functional bodies' shares of business rates or other GLA-controlled income to fund the repayment of the borrowing over time. This will avoid a proliferation of back-to-back loan agreements with the attendant cost and operational risk.

Sources of the underlying need for GLA borrowing

- 6.7. The GLA's unique statutory and operational circumstances, which require ringfencing of income streams, borrowing or both means that the GLA operates a multi-pool approach to debt management. This mitigates the risk of cross-subsidy and facilitates transparent reporting to the relevant stakeholders.
- 6.8. The GLA is nevertheless in agreement with the Prudential Code that financial efficiency and risk management are generally best delivered through maximising pooling and considering the net borrowing and investment position, therefore the treasury function carries out analysis at both the individual project account and aggregate level.
- 6.9. The CFR is decomposed and matched by dedicated loans under the following themes. Abbreviations in [-] are used in management reporting:
 - (a) The Elizabeth Line [BRS] – the GLA's programme of unfunded capital grants to TfL for the Elizabeth Line forms the majority of the GLA CFR, financed by borrowing programmed to mature in line with expected income from the Crossrail Business Rate Supplement (BRS) and the Mayoral Community Infrastructure Levy (MCIL), both of which are ringfenced for such purposes (respectively under statute and contract with the Department for Transport) until this debt is extinguished.
 - (b) The Northern Line Extension [NLE] – under an innovative collaborative financing model, the GLA agreed to act as recipient for related public sector revenues (developer contributions and retained business rates from the Nine Elms enterprise zone) from the

London boroughs of Lambeth and Wandsworth and use the (more stable) pooled revenue stream to fund greater initial debt finance than if the GLA and the two boroughs had borrowed individually and pooled the proceeds. The revenues are ringfenced by contract with the boroughs and a guarantee agreement between the GLA and HM Treasury (HMT) necessitates the dedication of specific loan proceeds to the NLE project account. As with the Elizabeth Line, the GLA's CFR in relation to the NLE arises from cumulative unfunded capital grants to TfL, net of any project account surpluses applied.

- (c) The Green Finance Fund [GFF] – this obliges the GLA to link loans or bonds issued under the GFF's Green Financing Framework to specific investments in order to match the use of proceeds to evidence of positive environmental impact. The GFF operates as a project account within the GLA, matching capital investments made to framework-compliant borrowings and tracking the associated income and expenditure. Funding the revenue consequences of related subsidy decisions and gains or losses arising from mismatches in borrowing and investment interest rates or maturity profiles is managed with the Climate Change 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 – comprised of unfunded capital loans to the London Legacy Development Corporation (LLDC) and Old Oak and Park Royal Development Corporation (OPDC); the historical transfer of London Development Agency (LDA) assets and liabilities to the GLA which are held within GLAP. The core CFR also includes unfunded expenditure in relation to the Royal Docks and the London Museum and financing lease arrangements pertaining to the GLA's office accommodation.

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

Forecast position as at 31 Mar 2026 (£m)

Component	CFR	External Borrowing	Over/(Under) Borrowing
BRS	3,317	3,503	186
NLE	861	930	68
HFTs	17	78	61
GFF	227	190	-37
GLA Core	843	40	-803
Total	5,265	4,741	-525

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

Core CFR Components	CFR (£m)
LLDC	391
Legacy (LDA/GLAP)	198
OPDC	160
London Museum	45
City Hall and US Finance Lease	20
Royal Docks	27
Pocket Living	2
Total	843

6.12. The GLA expects to use internal borrowing for core activity during 2026-27 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 table below sets out current lenders actively providing long-term finance to the GLA as at 31 December 2025. Total debt outstanding as at 31 December 2025 was £4,809m vs £4,741m estimated at 31 March 2026 as GLA anticipates a net reduction in the portfolio of £68m resulting from debt maturities.

Lender	Outstanding at 31 Dec 2025 (£m)	Objective Analysis				
		HFTs	BRS	NLE	GFF	GLA
Public Works Loan Board (PWLB)	1,638	-	1,395	200	-	43
European Investment Bank (EIB)	450	-	-	450	-	-
Bond programme (Community Finance No. 1 plc)	880	-	600	280	-	-
Department for Transport (DfT)	1,553	-	1,553	-	-	-
MHCLG	99	99	-	-	-	-
National Wealth Fund (NWF)	190	-	-	-	190	-
Total	4,809	99	3,548	930	190	43

6.15. The Public Works Loan Board (PWLB) remains an important source of long-term finance for the GLA. The CFO confirms that there is no intention to incur capital expenditure acquiring investment assets primarily for yield at any point in the next three years, a requirement to ensure ongoing access to PWLB finance.

6.16. Market conditions may from time to time make other sources of borrowing preferable. Given the considerable expense and complexity that surround alternative borrowing frameworks, such as the GLA and TfL's existing capital markets programmes, the GLA may borrow on behalf of a functional body where it is likely that a net saving may arise without prejudice to the GLA's credit rating.

- 6.17. The GLA would borrow, use the proceeds to either make a loan (or equivalent arrangement) to the relevant functional body or alternatively make a capital grant under section 120 of the Greater London Authority Act 1999 (as amended) to the functional body and top-slice the functional body's share of business rates or other GLA-controlled funding to repay the monies over time.
- 6.18. 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.
- 6.19. 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 LTL and recorded in the TMP Schedules under TMP1.
- 6.20. Future sources of borrowing may include Community Municipal Investments (CMIs), subject to legal and regulatory approval. Where utilised, CMIs may be issued to support eligible programmes such as the Green Finance Fund (GFF), with proceeds ringfenced and applied in accordance with the GFF Green Financing Framework. CMIs would be structured to complement existing borrowing sources and may include participation by retail and institutional investors via an authorised platform.

Internal borrowing approach

- 6.21. 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 Integrated Investment Strategy (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

- 6.22. 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.

6.23. 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

6.24. 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.

6.25. 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)

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

6.27. 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.

6.28. 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

6.29. The GLA’s Climate Change 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

6.30. 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, provided no decision contravenes the limits set out in the prevailing TMSS.

6.31. On the basis of the above, the CFO is authorised to:

- (a) approve borrowing by the GLA, for the purposes of financing capital expenditure
- (b) make use of cash balances to facilitate 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 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, that the policy for the use of derivatives is clearly detailed in the annual strategy and that legal and professional advice will be taken in advance to establish a clear powers basis for any such transaction and highlight any contractual risks.

Exchange rate risk management

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

Inflation risk management

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

Refinancing risk management

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

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

Legal and regulatory risk management

The GLA will ensure that all its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1 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 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 and the CFO) 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 MHCLG'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 Finance Officer with the support of LTL.

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 is set to increase in 2026-27 and to reduce in 2027-28 and 2028-29. The main driver for the increase in capital expenditure in 2026-27 is investment in Affordable Housing, which is funded by capital grant and therefore does not increase the GLA's capital financing requirement.

Capital Expenditure (£m)	Forecast Outturn 2025-26	Plan 2026-27	Plan 2027-28	Plan 2028-29
GLA	2,195	2,870	1,842	1,654

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 2025-26	Plan 2026-27	Plan 2027-28	Plan 2028-29
BRS (Elizabeth Line)	3,317	3,066	2,807	2,541
NLE (Northern Line Extension)	861	795	759	736
HFTs (Housing Financial Transactions)	17	17	17	17
GFF (Green Finance Fund)	227	247	142	144
GLA Core	843	937	973	969
GLA Total	5,265	5,062	4,698	4,407

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 2026-27	Proposed 2027-28	Proposed 2028-29
Borrowing	5,825.0	5,425.0	5,425.0
Other Long-Term Liabilities	75.0	75.0	75.0
Total	5,900.0	5,500.0	5,500.0

MOPAC (£m)	Proposed 2026-27	Proposed 2027-28	Proposed 2028-29
Borrowing	1,536.0	1,580.0	1,595.0
Other Long-Term Liabilities	112.0	82.0	60.0
Total	1,648.0	1,662.0	1,656.0

LFC (£m)	Proposed 2026-27	Proposed 2027-28	Proposed 2028-29
Borrowing	166.0	177.0	223.0
Other Long-Term Liabilities	79.0	73.0	67.0
Total	245.0	250.0	290.0

*TfL Corporation (£m)	Proposed 2026-27	Proposed 2027-28	Proposed 2028-29
Borrowing	14,716.0	15,016.0	15,016.0
Other Long-Term Liabilities	1,709.0	1,656.1	1,605.7

Total	16,425.0	16,672.1	16,621.7
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*TfL Group (£m)	Proposed 2026-27	Proposed 2027-28	Proposed 2028-29
Borrowing	14,924.3	15,388.9	15,452.0
Other Long-Term Liabilities	3,950.9	3,958.5	3,960.8
Total	18,875.2	19,347.4	19,412.8

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

LLDC (£m)	Proposed 2026-27	Proposed 2027-28	Proposed 2028-29
Borrowing	550.0	550.0	550.0
Other Long-Term Liabilities	0.0	0.0	0.0
Total	550.0	550.0	550.0

OPDC (£m)	Proposed 2026-27	Proposed 2027-28	Proposed 2028-29
Borrowing	248.5	248.9	249.2
Other Long-Term Liabilities	1.5	1.1	0.8
Total	250.0	250.0	250.0

OSDC (£m)	Proposed 2026-27	Proposed 2027-28	Proposed 2028-29
Borrowing	150.0	150.0	150.0
Other Long-Term Liabilities	0.0	0.0	0.0
Total	150.0	150.0	150.0

*GLA Group (£m)	Proposed 2026-27	Proposed 2027-28	Proposed 2028-29
Borrowing	23,191.6	23,147.0	23,208.6
Other Long-Term Liabilities	1,976.6	1,887.0	1,808.9
Total	25,168.2	25,034.0	25,017.5

*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 2026-27	Plan 2027-28	Plan 2028-29
Borrowing	5,325	4,925	4,925
Other Long-Term Liabilities	75	75	75
Total	5,400	5,000	5,000

- 2.7 The GLA's operational boundary for external debt can be disaggregated in line with the GLA's multi-pool approach to debt. The table below sets out the expected use of the operational boundary in 2026-27 in accordance with the GLA's main capital spending themes. This categorisation serves as a benchmark for managing borrowing but does not represent a formal prudential indicator. The CFO may thus vary the composition of the operational boundary within the year without further recourse, provided the total operational boundary remains unchanged. Any variation in the composition of the operational boundary will be reported at the earliest opportunity in accordance with the in year reporting arrangements set out under section 4 above.

Operational Boundary for External Debt by Component (£m)	Budget 2026-27
BRS (Crossrail)	3,600
NLE	1,000
HFT	100
Green Finance Fund	400
GLA Core	225
Total Borrowing	5,325
Other Long-Term Liabilities	75
Total Debt	5,400

Gross Debt and Capital Financing Requirement (CFR)

- 2.8 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.
- 2.9 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 2025-26		Budget 2026-27		Plan 2027-28		Plan 2028-29	
	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	3,503	3,317	3,229	3,066	2,855	2,807	2,719	2,541
NLE	930	861	870	795	810	759	750	736
HFTs	78	17	78	17	74	17	54	17
GFF	190	227	190	247	90	142	90	144
GLA Core	40	843	35	937	35	973	35	969
GLA Total	4,762	5,265	4,423	5,062	3,885	4,698	3,669	4,407

- 2.10 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 2025-26	Budget 2026-27	Plan 2027-28	Plan 2028-29
GLA	5.4%	7.2%	6.9%	6.6%

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 2025-26	Budget 2026-27	Plan 2027-28	Plan 2028-29
GLA	0.7%	0.8%	0.9%	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 structure of the external debt portfolios maintained for the Crossrail (BRS) and Northern Line Extension accounts is designed to ensure debt servicing costs are well aligned to the forecast ring-fenced revenues available to fund these large-scale infrastructure projects. Other approaches would create inequitable impacts for the GLA’s core budget. Given the significant scale of the Crossrail (BRS) and Northern Line Extension components of the GLA’s composite capital financing requirement, these accounts dominate the GLA’s liability benchmark. Total external borrowing is maintained below the total capital financing requirement as the GLA makes use of its significant balance sheet resources to support the delivery of other capital priorities. The benchmark shows that the GLA expects to maintain sufficient liquidity over the medium to long term to support internal borrowing, financing its past and planned unfunded capital priorities as cost effectively as possible.

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 2026-27 (%)	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 2026-27	Plan 2027-28	Plan 2028-29
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 introduced changes to MRP regulations and guidance which took 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. Paragraphs 7 and 8 of the MRP policy set out the GLA's approach to charging MRP on capital loans, which accords with the current regulations. Transitional arrangements were introduced as part of the changes to the regulations, which are reflected in the GLA's MRP policy for capital loans.
5. Terminology in the policy reflects the classification of the Capital Financing Requirement (CFR) set out in the Treasury Management Strategy Statement for 2026-27.

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 where it is considered practical or appropriate to do so, 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).
8. Where expected credit losses or impairments are recognised in accordance with proper practices against capital loans (aside from commercial loans) financed by debt, the GLA will make MRP in accordance with the current regulations and as follows:
- (a) For capital loans made on or after 7 May 2024, being the commencement date for Regulation 28(2), MRP will be made in the financial year in which the expected or actual credit loss or impairment is recognised.
 - (b) For all such loans made before 7 May 2024 and where an expected credit loss is recognised, MRP will be calculated in accordance with the asset life methodology set out at paragraph 5.
9. 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.
10. In all cases and regardless of the MRP approach taken, where the CFO considers it practical or appropriate to do so, the GLA may make a voluntary revenue provision in addition to any minimum revenue provision calculated. Voluntary revenue provision charges will be separately disclosed in the authority's financial reporting.

MAYOR OF LONDON



Greater London Authority Integrated Investment Strategy 2026-27

March 2026
Version 1.0 - Appendix 2 to MD3485

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Version History

	Date	Approved by	Amendment Summary
1.0	09/03/2026	MD3485	Original

1. Introduction and status

- 1.1. This document, the GLA Integrated Investment Strategy (IIS) for 2026-27 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 MD3485.
- 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 size of the GLA's treasury investment portfolio is the largest amongst local authority treasury investments in the UK. The GLA also has significant investments for service purposes.
- 2.2. MHCLG's statistics as at 30 September 2025 indicated that the treasury investments maintained in the London Treasury Liquidity Fund (LTLF) by the GLA and other participating authorities account for £1 in every £12 of the national total for such investments.¹
- 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

¹ LTLF is 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).

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, which without exception constitute capital expenditure, 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/	LCIF	Funded

	Funding London)	Greater London Investment Fund (GLIF)	Funded
		MMC London Fund	Funded
	Environment	London Energy Efficiency Fund (LEEF)	Funded
		Green Social Housing Fund (GSHF)	Funded
		Mayor of 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
		Oxford Street Development Corporation	Unfunded
		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:
- 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
 - the risks surrounding the GFF and the framework for their management are discussed in the TMSS borrowing strategy
 - the risks surrounding GLAP, LLDC, OPDC and OSDC relate to whether the proceeds generated by 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 requires 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 to maintain an overview of the expected maturity of existing investments, together with any new commitments made, so that the budgetary and cash flow implications of service investments are understood across the GLA and its subsidiaries.

Membership

3.2. The FROB executive will be

- (a) the CFO, as chair
- (b) Deputy Director, Treasury Shared Service (DDTSS), 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 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. The CFO may waive the requirement for one or more ROs to attend a given FROB meeting on the advice of the DDTSS and the TA to help ensure meetings focus on the investments with the most significant risk impact.

3.6. Current responsibilities are as follows:

Responsible Officer	Service Theme	Programme	Programme Lead

Fay Hammond CFO	n/a	Treasury Investments	RO
Dan Maton Assistant Director – Investment and Operations (Interim), Housing and Land	Housing	Affordable or community housing programmes	<i>Yvette McKenzie-Ray</i> Head of Investment <i>James Hewlett</i> Head of Area
		Land Fund and GLAP investments	<i>Yvette McKenzie-Ray</i> Head of Investment <i>James Hewlett</i> Head of Area
		MHCLG Financial Transactions	<i>Andrew Welsh</i> Senior Investment Manager
		Investments in 3 rd party funds	<i>Yvette McKenzie-Ray</i> Head of Investment <i>James Hewlett</i> Head of Area
Louise Duggan Head of Regeneration and Growth Strategies	Economy (Regeneration)	GPF	RO
Puneet Raj Bhatia Deputy Director, SME Funds (LTL)	Economy (SME growth/ Funding London)	LCIF	RO
		GLIF	RO
		MMC London Fund	RO
Kenroy Quellenec-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	<i>Adam Barrett</i> Finance Director (GLAP)
		LLDC	<i>Dean Langsdon</i> Finance Director (LLDC)

	OPDC	<i>Gurdip Juty</i> CFO (OPDC)
	OSDC	<i>Adam Barrett</i> Interim CFO (OSDC)
	London Power	<i>Nina Di Certo</i> Programme Manager (Energy)
	LTL (regulatory capital)	<i>Candida Flowers</i> CFO (LTL)

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
- (d) commission (from LTL or others) advice required by FROB or ROs individually.

3.8. The TA will:

- (a) in consultation with the CFO and the DDTSS, 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 Treasury Shared Service
- (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
- (f) provide advice and support to FROB on the accounting and budgetary implications of development arising at FROB including any potential remedial actions considered
- (g) support, in consultation with DDTSS, the ROs in the preparation of IMP schedules.

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

	Description	Mitigations
Red	High risk of default. Likelihood of loss, delay to expected repayment, other breach of contract or non-financial harm such as reputational damage.	Remediation plans, developed by ROs, to minimise financial and non-financial impacts. Additional security and revised repayment schedules may be required alongside enforcement options.
Amber	Probability of default increased though still not probable. Some concerns emerging - e.g. weakening financial metrics, market volatility, covenant pressure or concerns regarding business operations such as leadership and management.	Increased monitoring and engagement is required to mitigate the risk of moving into the red category and improving the chances of moving into the green category.
Green	No significant concerns. Counterparty is financially stable with strong repayment capacity. Investment is performing as planned, with payments being met on time and covenants and other contractual conditions being met. No indicators of emerging risk.	Ongoing management and standard monitoring applies.

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

3.10. The DDTSS will:

- (a) provide advice required by FROB or ROs individually
- (b) 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

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- 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 TA and the DDTSS, local IMP schedules in the form prescribed in Annex 5.

5. Treasury Investment Strategy

Collective investment via the London Treasury Liquidity Fund

5.1. The GLA will continue its successful pooled approach for Treasury Investments through the London Treasury Liquidity Fund (LTLF), invested in line with Annex 2. The GLA alongside its functional bodies and others invests in the LTLF as a Limited Partner.

- (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. Each Limited Partner's investment in LTLF 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) each Limited Partner'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 above costs and interest payable on each Limited Partner's loan account accrues to the core commitment account and may be paid to the limited partners of LTLF as a dividend.

Risk appetite statement

5.4. Capital preservation remains the central objective of the LTLF 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 14 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 CFO may, to mitigate particular risks or capture specific opportunities, cause sums to be invested independently of LTLF, subject to the same parameters set out in Annex 3, except that there shall be no requirement to maintain any particular weighted average maturity.
- 5.8. Subject to formal decisions within the GLA's decision making framework being made, the GLA may use treasury balances to support service investments, subject to commercial returns appropriate to the relevant risks.² 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 Treasury Shared Service 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 15% of balances at point of investment

² A Decision means any authority provided through the GLA's formal decision-making framework.

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

- 5.10. The consolidated limits set out at Annex 3 are intended to specify a target allocation for LTLF 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 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, the CFO and nominated officers of the other LTLF partners constituting the Limited Partners' Advisory Committee (LPAC), at minimum quarterly but subject to requirements from time to time agreed by the LPAC.
- 5.13. Where an exception has arisen because of a manager's action (active exceptions) or as a result of balance forecasts and/or market values changing (passive exceptions), the choice of corrective action is delegated to LTLF's managers, with a requirement to report to the AIFM and LPAC.
- 5.14. The GLA maintains an Interest Smoothing Reserve, calculated on the basis of the VaR95 limit, forecast average balances and stress tests for movements in interest rates and adverse cash flow scenarios. The purpose of this reserve is to:
- absorb the accounting impact of unrealised gains and losses on the GLA's treasury investments to avoid any impact on budgetary flexibility
 - to be drawn on as a buffer against unforeseen shortfalls in budgeted investment income as result of falling rates so that service spending can be maintained.
- 5.15. The VaR95 of the LTLF portfolio is independently assessed at least semi-annually. The investment consultant's report is shared with LTLF LPAC, which includes the CFO.

6. Service investment backgrounds

Housing

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

Group	Amount Committed	Investment Period
Affordable or community housing programmes:	£42,029,596	Up to 2030
Land Fund and GLAP investments:	£321,392,176	Up to 2041

MHCLG Financial Transactions	£48,037,590	Up to 2032
Investments in 3rd party funds	£34,162,968	Up to 2031
Total	£445,622,330	

6.2. High level investment objectives for the combined £446m 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.

6.8. The GLA is establishing a new housing investment programme in 2026-27, the City Hall Developer Investment Fund, which will help to unlock and accelerate housing delivery in London. The programme plans to use a combination of grant funding and MHCLG financial transactions financing to intervene in projects that would otherwise not proceed. Financing and investment terms are being finalised with an essential objective being that budgetary risk is identified and provided for through programme resources to ensure the programme presents no material risk of loss to the GLA.

Economy - Regeneration

- 6.9. The Growing Places Fund (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.
- 6.10. 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.
- 6.11. Having successfully supported a number of initiatives this programme is being wound down with decisions on the deployment of the remaining balance to be made in the next financial year.

Economy - SME Growth (Funding London)

- 6.12. 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.
- 6.13. 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.
- 6.14. Over the years, the European Programmes Management Unit (EPMU), which has been subsumed within the Economic Development and Programmes Unit (EDP), has developed several investment funds (using funding from the European Regional Development Fund (ERDF) Programme it managed) to support various Mayoral objectives. These funds include several of the FL funds including GLIF described in 6.23 to 6.27 below, as well as MEEF, LEEF and GSHF.
- 6.15. The GLA's role in managing the ERDF Programme has ended. However, these investment funds will continue to operate for many more years. As such, under MD3231, approval was given for LTL to have responsibility for the management of the GLA's interest in and oversight of the funds established by EPMU, given LTL's experience and expertise in fund management.
- 6.16. 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 £5.4m of proceeds from exits being reinvested by the LCIF in very early stage companies
 - (c) 13,600 jobs created or supported as a result of FL investments
 - (d) delivering those objectives alongside supporting diverse founders.

6.17. Although the quantum and timing of the maturity of the FL funds described below is uncertain, based on the current performance, FL continues to deliver impactful support for SMEs in London, despite the unavailability of new funding.

LCIF

6.18. The LCIF is an internally managed venture capital co-investment 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.

6.19. As of 31 December 2025, LCIF has received £15.8m from sale of investment holdings, £5.4m of which has been reinvested in new investments and portfolio companies to spur their future growth.

6.20. LCIF's aims are 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.

6.21. 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 8.3% and the live portfolio is valued at £35.1m, which is 1.5x 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).

6.22. In 2024-25, LCIF invested a further £962,504, leveraging a further £10.5m from the private sector in six businesses. The investments are in sectors of strategic importance to London including EV Charging, Smart Traffic management solutions, Financial technology, AI enabled business productive enhancement and Healthcare solutions. Three of the five businesses have founding members from female or of minority ethnic backgrounds.

GLIF

6.23. 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.

6.24. The £100m being deployed by GLIF funds comprises a £35m ERDF grant (via the GLA), a £30m 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 the circular economy.

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- 6.25. The original GLIF sub-funds have reached the end of their investment period. The Funds will continue for a further five years in the portfolio phase.
- 6.26. The Funds have deployed just over £100m alongside c. £533m from the private sector, across 165 London-based SMEs. A further £8.7m will be deployed by the equity fund via follow-on investments and new debt investments.
- 6.27. Reported outcomes include:
- (a) creation of c.3,312 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. £136.5m and distributions to date of £51.1m, which have been used to repay credit facilities.

New SME Funds

- 6.28. 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.
- 6.29. 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. The total deal values and volume at the early stages is significantly lower in the past five year period and there is a clearly visible declining trend. There were 36% fewer equity fundraisings and 87% fewer debt fund raisings by early-stage London SMEs during this period. An assessment of market trends in available financing for SMEs in London is being shared with the Funding London Board and the GLA representatives.
- 6.30. 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.
- 6.31. As outlined in the London Growth Plan, new funds will be launched to provide loan and equity finance for high-growth SMEs.
- 6.32. Three funds are in development:
- (a) **Successor early-stage equity fund** – A commitment proposed towards a series A high growth equity investment fund to succeed the GLIF equity sub-fund.
 - (b) **Successor debt fund** – A fund proposal is in advanced approval stage, whereby a commitment of £20m by GLIF will be matched by that from the British Business Bank to create a fund providing loans up to £3m each to high growth SMEs in London. Proceeds from realisations from the current GLIF debt sub-funds are proposed to be utilised to fund this commitment.
 - (c) **London Tech and Inclusive Growth Fund of Funds** – a proposed £100m+ fund of funds, where Funding London's £20m cornerstone commitment could be matched by additional commitments from London-based pension funds providing them the opportunity to support and access returns from London-based high-growth businesses and fulfilling their requirements for place based and private market investment. This fund is in a very early stage of development.

Successor Early-Stage Equity Fund

- 6.33. MMC Ventures LP, the new equity sub fund is a target £150m fund investing in series A high-growth in deep tech companies across Enterprise AI, Cloud & Data Infrastructure, Fintech, and Data-driven Health. The new equity sub-fund will target a net return of three times amounts invested.
- 6.34. MMC has a 20+ year history in early-stage investing, with a research-driven sourcing model and strong track record of exits. They manage Funding London's MMC London fund and the GLIF equity sub-fund MMC GLF, both of which have delivered strong outcomes.
- 6.35. GLIF's commitment of c.£3m will be matched by the fund's commitment to invest at least £10m in London based SMEs.
- 6.36. Proceeds already realised from early sale of holdings are proposed to be used to fund this commitment.
- 6.37. The GLIF commitment is expected to be completed in Q1 2026-27, subject to legal agreements.

Successor Debt Fund

- 6.38. The new debt sub-fund, Future London Growth Fund, is a target £40m fund, codeveloped by Funding London alongside the British Business Bank who will match GLIF's £20m LP commitment.
- 6.39. The fund will provide loans of between £1m-£3m to London based high growth SMEs unable to raise bank debt due to structural reasons.
- 6.40. The fund will target a double-digit net return for GLIF over a 10-year period, providing loans to 40+ SMEs.
- 6.41. The proceeds from capital and interest payments from the current debt funds are proposed to be used to fund GLIF's £20m commitment. Any timing differences in returns from current funds and new capital calls are proposed to be covered by the revolving credit facility already available to GLIF, which has sufficient capacity.
- 6.42. The fund manager FSE Group already manage the current debt sub-funds and have a strong established relationship with GLIF and in the London ecosystem.
- 6.43. The fund is expected to be launched in Q1 2026-27, subject to legal agreements being completed.
- 6.44. In considering these approvals, the GLIF Board has evaluated the due diligence carried out by the executive Funding London investment team on market trends, gap in financing, strategic fit with GLIF's and Mayoral objectives and alignment with London Growth Plan, key fund terms and features, fund managers' track record, key risks including market, execution, tax, legal, value for money and affordability.
- 6.45. The value for money case for both these new fund commitments has been discussed by the GLIF Board. Total fees and costs are within industry parameters for such funds, and both fund propositions are expected to generate commercial investment outcomes in keeping with risk profiles of these initiatives on a net basis, i.e., after deduction of costs.
- 6.46. As the new funds propose to use returns from existing funds, and a revolving credit facility to cover timing differences in realisation of returns and new commitment call downs, the initiatives require no new funding allocation from the GLA budgets neither for direct investments nor for managerial resources at Funding London or LTL.

- 6.47. The GLA expects that these funds will create a substantial investment programme to continue to support early-stage SMEs in sectors of strategic importance to London and in alignment with the London Growth Plan. Importantly, these initiatives do not seek any new public funds. In fact, the additional funds are leveraged significantly for London-based SMEs even at the fund level over and above that committed to by GLIF (three times GLIF's commitment to the equity fund and at least matched one to one through contribution from the British Business Bank).
- 6.48. The initiatives described 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 a continuation fund for LCIF will be established and managed.

MMC London Fund

- 6.49. 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.
- 6.50. 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.
- 6.51. 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 and an additional £5m towards the successor funds. Further returns are expected in the medium term.

Environment – Green Finance

LEEF

- 6.52. The London Energy Efficiency Fund (LEEF) was launched in 2011 under the London Green Fund with £61.55m of GLA and ERDF contributions to support London's earlier carbon-reduction targets. Established as a 10-year limited partnership managed by Amber Infrastructure, and subsequently managed by LTL after the partnership ended, LEEF financed energy-efficiency retrofits, decentralised energy schemes and small-scale renewables. Although the fund is closed, loan repayments continue until 2028 and are overseen by LTL. By 2018, LEEF had invested in 80 buildings across nine boroughs, mobilising £420m of low-carbon investment and delivering annual savings of 39,000 tonnes of CO₂ and 34m kWh.

GSHF

- 6.53. The Green Social Housing Fund (GSHF), established in 2013 under the London Green Fund, provided three housing associations with 30-year, low-interest £4m loans to retrofit existing social housing with measures such as fabric improvements, air-source heat pumps, lighting upgrades and window replacements, reducing carbon emissions and lowering residents' energy costs. The £12m fund was a joint arrangement between the GLA and The Housing Finance Corporation (THFC), with contributions from ERDF and GLA funds. While the fund is no longer providing finance, repayments continue via THFC to the GLA every February and August until 2043 and are managed by LTL.

MEEF

6.54. The Mayor's Energy Efficiency Fund (MEEF), launched in 2018 as a successor to the London Green Fund, provided flexible and competitively priced loan and equity finance for low-carbon projects across London, including building retrofits, low-carbon heat networks, small-scale renewables and clean transport. The GLA committed £73.8m of ERDF funding and a further £30.2m from London Green Fund investment returns. Managed by Amber Infrastructure, MEEF's Investment ended on December 2025. By the end of 2025, the fund had made 28 investments, mobilising £445m and delivering projected annual savings of 36,330 tonnes of CO₂.

EDGE

6.55. 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

6.56. In 2018, the Mayor declared a climate emergency and brought London's net zero target forward from 2050 to 2030. Achieving this requires major investment in buildings, energy networks and transport. To support this, the Mayor committed to borrowing £500m to on-lend at competitive rates for eligible projects. In June 2023, the Mayor launched the Green Finance Fund (GFF) to accelerate decarbonisation by lowering borrowing costs for eligible organisations, including the GLA Group, London boroughs, Social Housing Providers, NHS bodies, universities, colleges and museums accredited under the UK Museum Accreditation Scheme.

6.57. The GFF is managed by LTL (in conjunction with the GLA's Green Finance Team) under a Green Finance Framework ("Framework") which was rated 'excellent' by the global ESG rating agency, Sustainable Fitch (see Annex 6).

6.58. Projects financed 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. Under MD3128, the Mayor has delegated approval of GFF loans to the GFF Credit Committee, which ensures compliance with the Framework. Since its launch in June 2023, £346.8m has been approved by the Credit Committee for 15 projects.

6.59. To support capitalisation of the Fund, the GLA secured a £190m loan from the National Wealth Fund in December 2023 at a highly competitive rate, with the funds fully utilised by October 2025.

Corporate

Subsidiary and functional body finance

6.60. 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).

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

6.62. 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, OPDC and OSDC this is managed directly by the CFO and their directorate leadership team.

- 6.63. 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.
- 6.64. 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 2025 (£m)

Investment Theme	Programme	GLA	GLA - ERDF	GLA Service investments via GLAP	SMEWFL	GLA Total	Third Parties	Total Impact
Treasury	LTLF	2,606	-	-	-	2,606	1,281	3,887
Housing and Land	Affordable or community housing programmes	33	-	-	-	33	-	33
	Land Fund	70	-	60	-	130	-	130
	Other GLA service investments via GLAP	-	-	142	-	142	-	142
	MHCLG Financial Transactions	16	-	-	-	16	-	16
	Investments in 3rd party funds	10	-	22	-	32	-	32
Funding London	LCIF	33	-	-	2	35	-	35
	GLIF	27	63	-	20	109	24	133
	MMC London Fund	-	-	-	10	10	-	10
Regeneration	GPF	2	-	-	-	2	-	2
Green Finance	Edge Fund	1	-	-	-	1	-	1
	LEEF	2	6	-	-	8	-	8
	GSHF	5	5	-	-	11	-	11
	MEEF	27	74	-	-	101	63	164
	GFF	210	-	-	-	210	-	210
Subsidiary and FB finance	GLAP - foundation	220	-	(147)	-	73	-	73
	GLAP- operational finance	99	-	(84)	-	16	-	16
	LLDC	505	-	7	-	512	-	512
	OPDC	148	-	-	-	148	-	148
	London Power Co Share Capital	1	-	-	-	1	-	1
	LTL (regulatory capital)	1	-	-	-	1	-	1
Totals		4,018	148	(0)	32	4,197	1,368	5,566

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 is an intermediary of the GLA and 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. GLAP's liabilities to the GLA are offset against financial assets to prevent double counting. GLAP owed £319m to the GLA at the reporting date: £99m in relation to operational finance and £220m of loans issued on GLAP's foundation (the "Foundation Loans") of £53m of which was used to finance GLAP investments.
- 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.

SUSTAINABLE DEVELOPMENT GOALS



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 Investments
Thematic Investment	
Engagement	Indirect Investments

Direct Investments – ESG Integration

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.

Direct Investments – Thematic Investment

This is an important approach for medium- and long-term investments, as it enables the alignment of financial returns with measurable social and environment impacts. Given London's ambitious net zero target, the Group will prioritise investments that support the low-carbon transition, 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 in addition to financial returns.

Indirect Investments – Engagement

3.6 Indirect investments are investments such as cash accounts, money market funds, 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 with or in organisations, funds, or projects that demonstrate inadequate consideration of climate change related risks or that lack a credible, Paris Agreement aligned³ plan for transitioning to a low-carbon economy.

3.10 In line with the Mayor’s commitment to the Fossil Fuel Non-Proliferation Treaty, the Group will not invest in organisations primarily engaged in the exploration or extraction of fossil fuels for energy use⁴. 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. Hereafter in this document, these entities shall be collectively referred to as “fossil fuel organisations”.

3.11 The Group will not invest with or in organisations, funds, or projects that are involved in, or have exposure to, the production, manufacture or stockpiling of controversial weapons, including cluster munitions, anti-personnel landmines, chemical weapons, biological weapons, or nuclear weapons produced in breach of the Nuclear Non-Proliferation Treaty.

³ The overarching goal is to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

⁴ Primary business is involved in operations within the following industries, as defined by [Global Industry Classification Standard \(GICS\)](#):

- 10101010 - Oil & Gas Drilling
- 10102010 - Integrated Oil & Gas
- 10102020 - Oil and Gas Exploration & Production
- 10102050 - Coal & Consumable Fuels

- 3.12 The Group will not invest with organisations having substantial ultimate beneficial ownership in the Russian Federation or any similarly sanctioned country.
- 3.13 For any existing holdings that meet the exclusion criteria in 3.9 to 3.12 where engagement opportunities do not exist, the Group will make all reasonable efforts to divest. This is provided divestment does not cause material financial detriment (either through cost or increased investment risk). The Group views divestment and avoidance to such long-term financial exposure as entirely consistent with its fiduciary duty to protect public funds and obtain best value.
- 3.14 To clarify the exclusion criteria, the Group provides the following definitions, with examples of application:

“investment” or “invest” – means the acquiring ownership in, or otherwise financing an organisation, fund or project;

“active investment” – means making a deliberate choice to invest based on a direct assessment of an organisation, fund, project or financial instrument, or knowingly establishing a long-term economic interest;

“engagement” or “engagement opportunities” – means seeking to meaningfully influence the strategy or development of the organisation or project, which may be through the exercising voting rights or via other routes;

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

“Involvement in” or “exposure to” includes any of the following, assessed on best-available evidence from independent data providers and other research:

- end-manufacture or assembly of controversial weapons systems.
- production of intended-use components that are specifically designed to be essential for the functioning of those weapons systems.
- stockpiling or distribution of controversial weapons contrary to treaty prohibitions

Dual Use Exception

Some technologies, products, or services with legitimate civilian applications could also be used in defence or security settings. These “dual use” technologies are not automatically excluded.

The Group only treat a dual use technology as involvement in controversial weapons if it is:

- specifically designed for,
- mainly intended for, or
- clearly contributes to

the development, manufacture, assembly, or stockpiling of controversial weapons. If a technology’s primary purpose is civilian, and any defence related use is incidental or secondary, it is not considered involvement in controversial weapons.

Examples of application:

- Making a loan to a “fossil fuel organisation” to fund expansion of conventional fossil fuel extraction activities would meet the definition of investment for the purposes of the exclusion criteria; a loan specifically to support the development of alternative technology would not.
- Purchasing an existing bond issued by a “fossil fuel organisation” on the secondary market would not meet the definition of new investment, as it provides no new financing, ownership, or scope for engagement to the issuer. Purchasing a newly issued long-term bonds may or may not meet the definition, depending on the use of proceeds.
- Commercial Paper or other debt instruments with less than a year to maturity would not constitute investment under the exclusion criteria, as there is no associated ownership or engagement, and the longer-term risks associated with exposure to unsustainable industries do not apply over such short periods.
- Directly purchasing equity in a “fossil fuel organisation” would constitute an active investment.
- Cases involving conglomerates, financial institutions, or managed funds with a mix of activities, some of which may meet the fossil fuels company definition and others not, will be assessed individually. Investment maybe possible if the overall strategy is environmentally sustainable and offset the financial risks this policy 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 the Group’s investments.⁵ As part of this, the Group will continue to evaluate additional ESG related metrics and assessment methodologies for potential incorporation into the investment process and will update the Policy accordingly.

⁵ For example, LTL produced a Responsible Investment Report for the London Treasury Liquidity Fund (LTLF) for 2024–25, outlining the methodologies applied and the Fund’s ESG integration performance.

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 2026-27.

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 (compounded)
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. <ul style="list-style-type: none"> • Deposits • Call Accounts • Notice Accounts • Certificates of Deposit • Loans • Commercial Paper • UK Gilts and T-Bills • All other senior unsecured bonds 	Issuer (and security where separately rated) Investment Grade (IG) defined per Table 3 OR UK Government (including the Debt Management Account Deposit Facility, Local Authorities and bodies eligible for PWLB finance) OR Issuer not meeting general criteria but instruments explicitly guaranteed by IG entity or sovereign national government meeting acceptable sovereign ratings per Table 2	S (NS 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	<i>Not permitted</i>	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% + 3.5% tolerance
Medium-Term Strategic Lending	See Section 6	NS	NS	5% + 0.5% tolerance

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% + 1.0% tolerance

- 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 to AA	A2 to Aa2	A to AA

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		AAA _m	
Other Permitted Fund Ratings					
Fitch		Moody's		S&P	
AAA _f		Aaa-bf		AAA _f	

- 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). The 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 forecast average daily AUM may be allocated to investment in RMBS. To manage changes in forecast average daily AUM and facilitate portfolio rebalancing, a tolerance threshold of up to 3.5% above the maximum allocation is permitted.
- 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 As set out in paragraph 2.1, up to 5% of LTLF's forecast average daily AUM may be allocated to Medium-Term Strategic Lending. To manage changes in forecast average daily AUM and facilitate portfolio rebalancing, a tolerance threshold of up to 0.5% above the maximum allocation is permitted.
- 6.2 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.
- 6.3 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

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

6.5 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 As set out in paragraph 2.1, up to 10% of LTLF's forecast average daily AUM may be allocated to Other Strategic Investments. To manage changes in forecast average daily AUM and facilitate portfolio rebalancing, a tolerance threshold of up to 1.0% above the maximum allocation is permitted.
- 7.2 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
-----------------------	----------------

7.3 The other strategic investments allocation will be deployed and monitored using a strategic investments framework to create a portfolio of assets diversified 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. The strategic investments framework sets out the investment criteria, considerations for the assessment of risk, principles for capital allocation and the evaluation of opportunities.

7.4 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)	< 33.3% of other strategic investments allocation
Real estate (debt and equity)	< 33.3% of other strategic investments allocation
SME (debt and equity)	< 33.3% of other strategic investments allocation
Liquid, Multi-sector Credit and Alternative investment strategies, other debt and equity)	< 50% of other strategic investments allocation

7.5 LTLF will not directly hold land or property.

7.6 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
---	---

7.7 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 crystallised 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 must 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 Treasury Accountant in consultation with LTL 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, the GLA will develop annual impact statement reporting for each programme, detailing outcomes and performance against investment objectives, to be reported alongside the annual review of the IIS by the Mayor, unless reported elsewhere, in which case clear signposting should be provided.

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

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

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

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

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

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

Annex 5 – IMP schedule template

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

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

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

Investment Management Practices

IMP1	Investment objectives <ul style="list-style-type: none"> High level aims Key background
IMP2	Investment criteria <ul style="list-style-type: none"> What can be invested in (e.g. local authority partners, housing associations) Type of investment (e.g. loans, equity) Any hurdles/restrictions Append relevant strategy documents
IMP3 (TMP1)	Risk management, including risk identification, controls, management and monitoring for any material non-treasury investment portfolios <ul style="list-style-type: none"> Reviewed by Financial Risk Oversight Board Add any programme specific controls
IMP4 (TMP2)	Performance measurement and management, including methodology and criteria for assessing the performance and success of non-treasury investments <ul style="list-style-type: none"> Yield and fair value to be reviewed by Financial Risk Oversight Board Add any programme specific controls/performance measures
IMP5 (TMP5)	Decision making, governance and organisation, including a statement of the governance requirements for decision making in relation to non-treasury investments, and arrangements to ensure that appropriate professional due diligence is carried out to support decision making <ul style="list-style-type: none"> Governing strategy including who has power to amend Role of any committees or boards and append details of membership including who has power to appoint Commentary on use of professional advisors and if used how they are appointed
IMP6 (TMP6)	Reporting and management information, including where and how often monitoring reports are taken <ul style="list-style-type: none"> Quarterly review by Financial Risk Oversight Board Any other regular reporting

IMP7 (TMP10)	Training and qualifications, including how the relevant knowledge and skills in relation to non-treasury investments will be arranged <ul style="list-style-type: none"><li data-bbox="368 271 951 293">• Add any local requirements/arrangements
-----------------	---

Impact Statement:
<ul style="list-style-type: none"><li data-bbox="209 495 635 517">• Key programme achievements

Links:
<ul style="list-style-type: none"><li data-bbox="209 745 475 768">• List relevant MDs<li data-bbox="209 779 903 801">• Hyperlinks to any published strategies or webpages

Annex 6 – Green Finance Framework (as at June 2025)

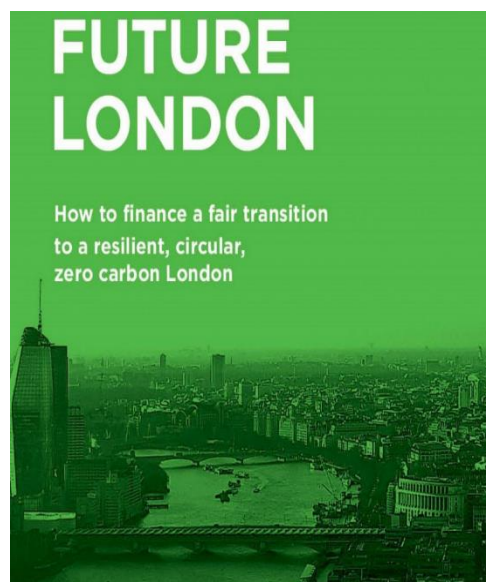
Section 1: Overview & Strategy

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 six 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.
- 6) **The Oxford Street Development Corporation** was established on 1 January 2026 and is responsible for delivering the Mayor's vision for the regeneration, transformation and pedestrianisation of Oxford Street.



1.3: London Net Zero 2030: An Updated Pathway



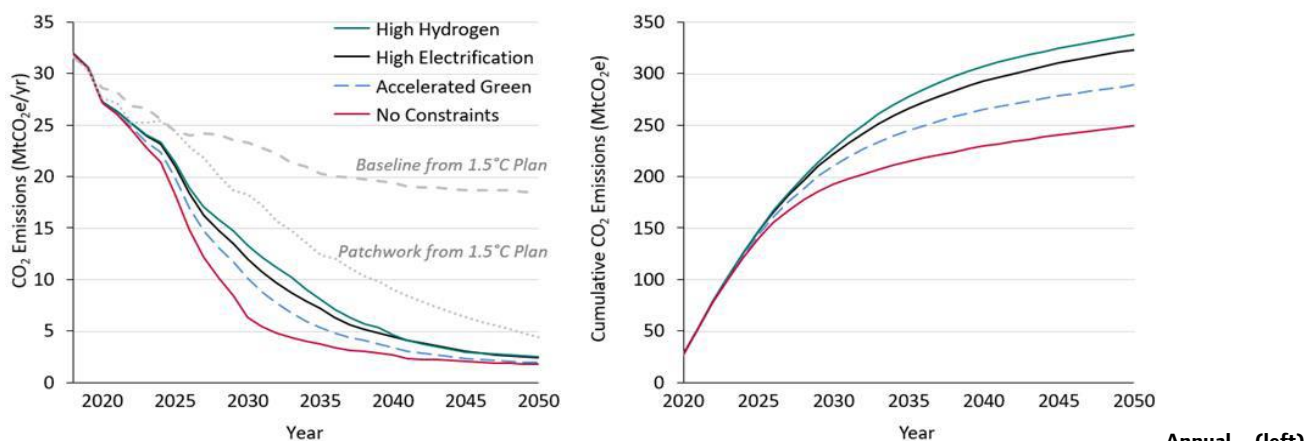
London's environment connects every aspect of life in the city. The state of London's environment affects everyone who lives in and visits the city and so, in 2018, the Mayor published an integrated environment strategy with an ambitious vision of improving London's environment for the benefit of all 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'⁶ explored four possible pathways that London could take as illustrated below.

⁶ 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>



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 pathway⁷, 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
- 2.2m 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.

⁷ 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 managed facility called the Green Finance Fund (GFF)⁸. 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 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.

⁸ 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”)⁹
- The Green Loan Principles – February 2021 (“GLP”)¹⁰
(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.


⁹ [Green-Bond-Principles-June-2021-140621.pdf \(icmagroup.org\)](#)

¹⁰ [Green_Loan_Principles_Feb2021_V04.pdf \(lma.eu.com\)](#)

Eligible Green Project Categories:

<p>Eligible Green Project Categories and Indicative Alignment to the SDGs</p>	<p>Description</p>	<p>Core Indicators</p>	<p>Other Indicators</p>
<p>Renewable Energy</p>  	<p>Financing investments to decarbonise and increase flexibility of the energy system.</p> <p>Investments will be dedicated to generation, transmission and distribution and/or storage of energy:</p> <ul style="list-style-type: none"> a) Renewable sources operating at lifecycle emissions of less than 100gCO₂e /kWh. b) Secondary or waste heat sources – the delivered emissions intensity of a heat network should be less than 83 gCO₂e/kWh (support may be provided to a heat network exceeding this threshold only if (i) the emissions intensity of the heat source is below 83 gCO₂e/kWh; and (ii) there is a decarbonisation strategy in place that puts the heat network on a pathway to net zero and the 83 gCO₂e/kWh threshold by 2050 is provided). <p>This category includes schemes that contribute to the decarbonisation and</p>	<p>Annual greenhouse gas emissions (GHG) reduced and/or avoided in tonnes of CO₂ equivalent</p> <p>Installed renewable energy capacity (MW)</p> <p>Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy saving)</p>	<p>Number of heat network supported</p> <p>Installed storage capacity in kW/MW</p>

	<p>flexibility of the energy system.</p> <p>Investments will also be available for the utilisation of secondary or waste heat sources, often in conjunction with heat pumps, in district heat networks, system level storage and demand management or flexibility services.</p> <p>Biomass for combustion and new Energy from Waste facilities are not included.</p>		
<p>Energy Efficiency</p>  	<p>Financing investments that improve energy efficiency in existing buildings to improve the EPC ratings with the aim of helping London’s buildings get to an average EPC B rating.</p> <p>Expectations will be to improve buildings:</p> <ul style="list-style-type: none"> - by a minimum of one and preferably by two EPC bands - to uplift the energy efficiency score (or reduce consumption) of a building by at least 30%, or - to get to a ‘good practice’ Energy Utilisation Index (EUI measured in kWh/m2) for the building according to its typology. 	<p>Annual (GHG) emissions reduced/avoided in tonnes of CO₂ equivalent</p> <p>Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings)</p>	<p>Percentage reduction in building/portfolio energy demand compared to pre-intervention baseline</p> <p>Pre- and post-intervention Energy Utilisation Index (EUI) for building/portfolio in kWh/m2</p>

	<p>This also includes investments that:</p> <ul style="list-style-type: none"> 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 		
<p>Clean Transportation</p> 	<p>Finance investments in low-carbon transport projects, such as:</p> <ul style="list-style-type: none"> • operations that reduce emissions (both GHG and pollutants) of vehicles or the transport system (for example ultra-low emission zones) • zero direct emission vehicles (including public transport and electric vehicles) and associated infrastructure (example electric vehicle charging points) • infrastructure to support expansion of active travel modes and options, 	<p>Annual (GHG) emissions reduced/avoided in tonnes of CO₂ equivalent</p> <p>Reduction of air pollutants such as particulate matter (PM), sulphur oxides (SO_x), nitrogen oxides (NO_x), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs)</p>	<p>Number of charging points installed.</p> <p>Number and size of upgrades to the electricity network to support charging infrastructure.</p> <p>Km of paths for walking</p> <p>Km of paths for cycling</p>

	specifically walking and cycling infrastructure.		
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Exclusion Criteria:

- Fossil fuel boilers
- Any new “Energy from Waste (EfW) Facilities”. NOTE: this exclusion does not extend to the utilisation of waste heat energy from existing EfWs e.g.: in the case of a new heat network/heat network extension.
- 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, <u>Colleges</u> 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, <u>black</u> 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
- Director, Financial Services (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 CO₂ consumption by 387 tonnes per annum.

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

SDGs Supported



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



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

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

costs.

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

SDGs Supported



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

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

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

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

SDGs Supported



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



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

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

SDGs Supported



Annex A - GFF Credit Committee Terms of Reference

Green Finance Fund Credit Committee

Terms of Reference

1. Introduction

- 1.1 The Mayor has committed to making London a net zero-carbon city by 2030. To support this ambition and his wider environmental goals, the Mayor will make finance available, through a Green Finance Fund (GFF), to accelerate investment into green projects for the GLA Group and strategic partners across London.
- 1.2 Finance from the GFF will be provided in the form of loans of up to 25 years, to support the capital investment in carbon reduction and environmental projects (which could include several discrete components). Support may also be provided to subsidise the financing costs for projects that will deliver essential environmental benefits but need an element of bridging finance in early years or do not deliver the cost savings or other revenues to fund their own payback.
- 1.3 The financing for GFF will initially come from GLA's own cash resources. However, subject to favourable bond market conditions, the GLA will launch a green bond programme, with the proceeds being used to refinance any initial commitments made from the GFF. Further bond issuance under the programme would finance any new projects identified, on a rolling annual basis.
- 1.4 One requirement of green bonds is that they are issued under a third-party approved green framework. Consequently, projects supported by the GFF will need to fall within the scope of the Green Bond Framework ("Framework") under which the GFF will operate.
- 1.5 The GLA's arms-length, regulated subsidiary London Treasury Limited (LTL) will be responsible for the overall operation of the GFF. This will include evaluating eligible proposals for support. The Credit Committee has been established to exercise delegated authority from the Mayor to enable GFF investments. Specifically, the Credit Committee will carry out the functions set out in this Terms of Reference. In conducting its business, the Credit Committee must have regard to existing GLA governance.

2. Function

- 2.1 The Credit Committee shall perform the following duties:

- approve the final version (following Second Party Opinion review) and any subsequent amendment of the Framework, and ensure ongoing monitoring of its content with the intention of updating it to align to developments in the market standards referenced within it, on a best-efforts basis
- assure itself that the assessment of projects has been carried out properly by LTL, according to the agreed process
- decide on investment recommendations from LTL, ensuring that these meet the objectives of GFF and comply with the Framework
- decide on finance costs subsidy recommendations from LTL, ensuring that these are proportionate to the benefit being delivered
- ensure any project no longer complying with the Framework or which has been disposed of is excluded and replaced on a 'best-efforts' basis
- approve the terms and conditions of any investment finance and subsidy provided by GFF
- ensure there is robust documentation of the evaluation and selection process in order to facilitate all reporting required under the Framework (and any external verification if required)
- oversee the portfolio of investments, including any wider ESG risks (that is, process for the avoidance of negative environmental/social consequences of the projects), with reference to the Green Finance Steering Committee for any significant risks
- oversee the investment of net proceeds received from the issuance under the Framework
- track and report on net proceeds
- provide oversight and strategic guidance
- receive and approve progress and evaluation reports from LTL.

3. Membership

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

- Chief Finance Officer, who will chair the Credit Committee
- Executive Director, Good Growth
- Director, Financial Services (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 Director, Financial Services (or another qualified person as agreed by the chair), 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 2027

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 for participating public sector bodies, 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.
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 (GLA CFO) will be informed of any single transfer in excess of £50k.

The Mayor is also requested to approve that the GLA 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 ("PPS") from LTLF. Following the transfer pricing analysis carried out by LTL's tax advisors the management fee to LTLF GP requires a markup of 10%. The PPS paid by LTLF to LTLF GP does not require an added markup. The management fee is estimated at £2.8m for 2026-27, £2.43m in 2025-26; The increase is mainly due to the markup being applied higher up in the structure and additional resources required to grow the Fund. 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.* Following a transfer pricing analysis by our tax advisor, LTL is required to charge the GLA a 10% markup (10% 2025-26) for the provision of green finance services and 6.5% (2025-26 10%) for treasury management shared services. The gross direct cost to the GLA for LTL's services is estimated at £1.53m (£1.82m in 2025-26). The overall cost, including the GLA's share of LTLF costs is estimated to be £4.75m, compared to £4.5m for 2024-25. Assuming the GLA retains approximately 65% of the anticipated fund size, the costs should be amply covered by £102.3m of income. VAT on costs associated with these services can be recovered against the receipts.
3. *Administration, accounting and investment services, including secondment of staff and office costs to FL, and its two venture capital funds (GLIF and LCIF).* The costs of employing the staff and an element of shared costs are recharged to FL. Previously FL retained its own office and IT costs, during 2025-26 LTL and FL were relocated to the same office with the costs paid by LTL. As such the cost charged to FL from LTL has increased to £1m (£0.8m for 2025-26), but this has been offset by the reduction in direct costs to FL of £0.2m. As FL is part of the LTL VAT group, this is VAT neutral.

A conservative estimate of the investment income to LTLF has been included in the budget. This has been based on an estimated Fund size of £4.2bn and the Sterling Overnight Index Average ("SONIA") rate. This does not include any above SONIA yields, potential dividends or realised gains on Strategic Investments. 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.

Treasury Services budget

£000s	2026-27	2025-26	Variance
GLA recharges to shared service participants ⁴	269	274	(5)
Interest income	123	146	(23)
Business rate supplement – Crossrail/NLE	675	750	(75)
Total income	1,067	1,170	(103)
LTL direct charge to the GLA ¹	(1,532)	(1,820)	288
Virement from Environment team	500	500	0
GLA direct professional costs	(112)	(110)	(2)
GLA direct Treasury staff costs ³	0	(180)	180
Total costs	(1,144)	(1,610)	466
Net position	(77)	(440)	363

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

² GLA share estimated at 65% in 2026-27, 68% in 2024-25; these costs are netted off the GLA share of LTLF's investment income which is estimated will be £102.3m

³ In 2025-26 this is assumed to be one Treasury resource, this role was not replaced and the duties are now covered out by LTL staff.

⁴ With the addition of new participants this is already expected to be £80k more than budgeted

Estimated return to the GLA from LTLF ⁵	Budget	Budget	Variance
£000s	2026-27	2025-26⁷	
Share of projected Interest income	102,375	86,860	15,515
Share of budgeted Fund costs	(3,220)	(2,540)	680
Total income	99,155	84,320	16,195

⁵ Assumes the GLA has 65% participation in LTLF (68% in 2025-26)

⁶ The interest is calculated using an estimated overall fund size of £4.2bn and SONIA at 3.75%, this may well change.

⁷ The actual return to Dec 25 indicates that the net return for 2025-26 is achievable

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Budget Table for 2026-27

Year	2026-27	FINAL							
LTL Board Approved	13-Feb-26	Prepared by IL	Reviewed by CF						
P&L		LTL	LTLF GP	LTLF	SME	GLIF	LCIF	Consol adj	LTL Group
		Total	Total	Total	Total	Total	Total		Total
P1100	Loan interest receipts	-	-	-	-	1,191,000	-	-	1,191,000
P1110	Bank interest	97,500	11,250	157,500,000	301,088	146,250	300,000	-	158,356,088
P1111	Mgmt fee	2,790,049	-	-	-	-	-	(2,790,049)	-
P1112	PPS	-	2,809,254	-	-	-	-	(2,809,254)	-
P1113	GLA income	1,531,983	-	-	-	-	-	-	1,531,983
P1140	Recharged income	1,009,673	-	-	-	-	-	(1,009,673)	-
P1145	Proceeds utilised	-	-	-	-	1,279,970	308,213	-	1,588,182
INCOME		5,429,204	2,820,504	157,500,000	301,088	2,617,220	608,213	(6,608,976)	162,667,253
P3110	Gross pay	(3,201,502)	-	-	-	-	-	-	(3,201,502)
P3130	Employers Pension	(363,285)	-	-	-	-	-	-	(363,285)
P3140	Employers NI	(447,425)	-	-	-	-	-	-	(447,425)
P3150	Other staff costs	(19,601)	-	-	-	-	-	-	(19,601)
P3160	Payroll bureau	(2,176)	-	-	-	-	-	-	(2,176)
P3170	Recruitment fee	(18,200)	-	-	-	-	-	-	(18,200)
P3190	Training	(52,396)	-	-	-	-	-	-	(52,396)
P3210	Travel	(2,604)	-	-	-	-	-	-	(2,604)
STAFF		(4,107,189)	-	-	-	-	-	-	(4,107,189)
P3300	Rent	(175,392)	-	-	-	-	-	-	(175,392)
P3302	Meeting rooms	(5,600)	-	-	(216)	-	-	-	(5,816)
P3310	IT	(136,897)	-	(81,025)	(1,200)	-	(2,500)	-	(221,622)
P3311	Comms	(7,482)	-	-	-	-	-	-	(7,482)
P3320	Postage	(100)	-	-	-	-	-	-	(100)
P3321	Printing & Stationary	(1,000)	-	-	-	-	-	-	(1,000)
P3322	Magazines, Journal books	(6,657)	-	-	-	-	-	-	(6,657)
P3330	Deprn - Computer Equip	(10,129)	-	-	-	-	-	-	(10,129)
P3331	Deprn - Furniture	(367)	-	-	-	-	-	-	(367)
P3340	Office Insurance	(819)	-	-	-	-	-	-	(819)
P3350	Misc Expenses	(821)	-	-	-	-	-	-	(821)
P3360	Office Equip	(2,500)	-	-	(250)	-	-	-	(2,750)
ESTABLISHMENT		(347,764)	-	(81,025)	(1,666)	-	(2,500)	-	(432,956)
P3400	Audit	(42,371)	(13,691)	(37,948)	(42,136)	(50,475)	(40,530)	-	(227,151)
P3401	Accountancy	(3,000)	(239)	-	-	-	-	-	(3,239)
P3410	Legal	(49,223)	(2,000)	(115,200)	-	(50,000)	-	-	(216,423)
P3420	Other Prof	(201,585)	(115)	(39,744)	(86)	-	-	-	(241,530)
P3421	HR Advice	(14,995)	-	-	-	-	-	-	(14,995)
P3430	Subscriptions	(5,684)	-	-	(2,065)	-	-	-	(7,749)
P3431	FCA/Compliance	(27,408)	-	(143,167)	-	-	-	-	(170,575)
P3440	D&O Insurance	(36,663)	-	-	(37,632)	(8,084)	(5,870)	-	(88,249)
P3480	Transaction costs	-	-	(4,476)	-	-	(50,000)	-	(54,476)
P3481	Events	-	-	(14,400)	-	-	-	-	(14,400)
P3490	Custody fees	-	-	(63,000)	-	-	-	-	(63,000)
P3491	Depository fees	-	-	(277,200)	-	-	-	-	(277,200)
P3495	Internal Mgmt fees	-	(2,790,049)	-	(295,536)	(223,517)	(490,620)	3,799,722	-
PROFESSIONAL FEES		(380,930)	(2,806,093)	(695,135)	(377,455)	(332,076)	(587,019)	3,799,722	(1,378,986)
P3510	Loan interest expense	-	-	-	-	(686,371)	-	-	(686,371)
P3550	Bank charges	(249)	-	-	(88)	(664)	(88)	-	(1,089)
P3570	Irrecoverable VAT	(141,957)	(3,161)	(7,541)	(11,691)	(20,095)	(18,606)	-	(203,051)
FINANCING COSTS		(142,205)	(3,161)	(7,541)	(11,779)	(707,130)	(18,694)	-	(890,510)
P3600	PPS	-	-	(2,809,254)	-	-	-	2,809,254	-
P3601	FM audit	-	-	-	(27,817)	(83,774)	-	-	(111,590)
P3604	Perf fees	-	-	(34,295)	-	-	-	-	(34,295)
P3605	Fund manager fees	-	-	(1,150,600)	-	-	-	-	(1,150,600)
P3606	Admin fees	-	-	(176,400)	-	-	-	-	(176,400)
P3620	FM- PPS	-	-	-	(80,000)	(1,720,150)	-	-	(1,800,150)
P3622	FM - Other costs	-	-	-	(8,000)	(597,670)	-	-	(605,670)
FUND MANAGER COSTS		-	-	(4,170,550)	(115,817)	(2,401,594)	-	2,809,254	(3,878,706)
P3700	Websites/Domain	(3,978)	-	-	(1,918)	-	-	-	(5,896)
P3710	Events	(38,285)	-	-	(5,000)	-	-	-	(43,285)
P3720	Printing	(5,000)	-	-	(500)	-	-	-	(5,500)
P3730	Ext consultancy	(15,000)	-	-	(7,000)	-	-	-	(22,000)
P3740	Marketing Miscellaneous	(2,000)	-	-	-	-	-	-	(2,000)
P3750	Marketing Software	(870)	-	-	(150)	-	-	-	(1,020)
MARKETING COSTS		(65,133)	-	-	(14,568)	-	-	-	(79,701)
TOTAL COSTS		(5,043,222)	(2,809,254)	(4,954,251)	(521,284)	(3,440,800)	(608,213)	6,608,976	(10,768,048)
PROFIT BEFORE TAX		385,982	11,250	152,545,749	(220,197)	(823,580)	-	-	151,899,205
CORPORATION TAX (25%)		(96,496)	(2,813)	-	-	-	-	-	(99,308)
DEEMED DISTRIBUTION TO PARTNERS		-	-	(152,545,749)	-	-	-	-	(152,545,749)
TOTAL		289,487	8,438	-	(220,197)	(823,580)	-	-	(745,853)
NOTE:		SME is shown a loss in the year but its being funded by the prior year proceeds							
NOTE:		These are distributions made to the limited partners via their loan or core accounts							
NOTE:		This equals the MMC priority profit share which was prepaid out of realised gains received in 2025-26							

Review of the Year and Business Plan

2026-27



Forewords

Words from the Chairman and CEO



Foreword by the Chair

"I am pleased to introduce London Treasury's review of the financial year to March 2026 setting out the progress made by the company in establishing robust foundations for growth alongside an ambitious business plan for the year ahead."



Sir Harvey McGrath

March 2026

More importantly, this document sets out London Treasury's vision to 2030 and defines the milestones necessary to achieve it, including those related to diversifying the client base.

On 1 May we welcomed Maggie Rodriguez-Piza as CEO to lead the company in this new growth phase. In the 11 months since taking the helm, Maggie's work has focused on three key themes of Organisational Maturity, Quality of Output and Client Focus as necessary foundations to underpin the ambitious growth agenda. As Maggie reflects in her own review overleaf, the team has adapted to a high degree of change whilst continuing to focus on delivering high quality services.

Maggie and the executive team have developed a strong working relationship with the board, and I would like to thank my fellow directors for their continued input and engagement during this time of change.

I look forward to another year of progress under Maggie's leadership, delivering a high quality, value for money service to the GLA, our principal stakeholder, and to all our other clients.

CEO Review of the Year

“The 2025–26 financial year marked the beginning of our vision to 2030 to grow our business beyond the GLA Group thereby securing the full benefit of the economies of scale and impact that our business was created to deliver.”

Maggie Rodriguez Piza

March 2026



As we close the 2025–26 financial year, I also approach the end of my first year as CEO of London Treasury.

Since taking over the role on 1 May, my colleagues have graciously welcomed me and patiently adapted to a high degree of change: changing processes to increase the effectiveness of internal decision making, creating new working groups to drive strategy, focus on team development and accountability, and a whole new style of leadership.

I have benefited from the support of every member of the team, and for that I am grateful.



CEO Review of the Year (continued)

During the year we laid the foundations for growth across several important areas:

Organisational Maturity: Having grown very rapidly from five team members in 2022 to nearly 30 by March 2025, this year we have invested in individual staff development, efficient decision making and robust processes and disciplines. Individual accountability has been an important theme throughout our organisation as it underpins and enables our ability to deliver according to our clients' expectations.

Quality of Output: Our investment in new systems across Treasury, the Investment Team and the collaboration with TfL back office are yielding excellent benefits.

The implementation of the TreasuryLive treasury management system for the Shared Service participants is nearly complete. The use of this powerful tool will not only transform levels of efficiency and accuracy in reporting, but its analytical power will enable the team to derive insights to support the delivery of important strategic advice for our clients.

Diversified Client Base: Engagement across several London boroughs this year has yielded important learnings to inform our longer-term business development strategy, help shape our approach and more clearly define our target market going forward.

Principal Stakeholders: Although our strategic imperative is to diversify our client base beyond the GLA Group, we continue to recognise and prioritise the GLA as our main stakeholder and client.

During the year our colleagues in the Treasury Shared Service have been instrumental in supporting the new GLA CFO's agenda and establishing an excellent collaboration with the broader GLA Group Finance team.

The team have also delivered significant value add through their work with functional bodies to establish treasury management and borrowing strategies to support priorities. The adoption of TreasuryLive will enable impactful reporting and analysis to support decision making.

We remain committed to supporting the delivery of the **Mayor of London's objectives**. In particular the Mayor's net zero agenda through our operation of the Green Finance Fund and priorities in the Growth Plan to support high growth SME's in London via our work to deliver the London Tech and Inclusive Growth Fund.

As we close out the financial year, our sights are firmly focused on our 2030 horizon. The vision is clear and the milestones well defined.

The work plan outlined in this document for 2026-27 is a step in the right direction. Alongside my talented, capable and committed colleagues, I am confident we will deliver.

About London Treasury



Who We Are

Our mission is to help local authorities **achieve better outcomes** from their investments and treasury activities than would be feasible standing alone.

Created by the public sector, we address liquidity, treasury, net zero and SME investment challenges faced by local authorities.

Our work is underpinned by consistent values



Integrity



Expertise



Impact



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, specialist 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.



Meet the Team

A dedicated team of 33 professionals. Meet our Leadership Team.

Service Lines



CEO
Maggie Rodriguez Piza



**CIO - London Treasury
Liquidity Fund**
Richard Tomlinson



**Deputy Director -
Treasury and Shared
Service Delivery**
Nigel Mascarenhas



**Deputy Director -
Impact Investment**
Kenroy Quellenec-Reid



**Deputy Director -
SME Funds**
Puneet Raj Bhatia

Corporate



Chief Operating Officer
Solene Delion



Chief Financial Officer
Candida Flowers



Chief Risk Officer
Rob Plumridge



**Company Secretary and
Head of Governance**
Isabelle Pocock

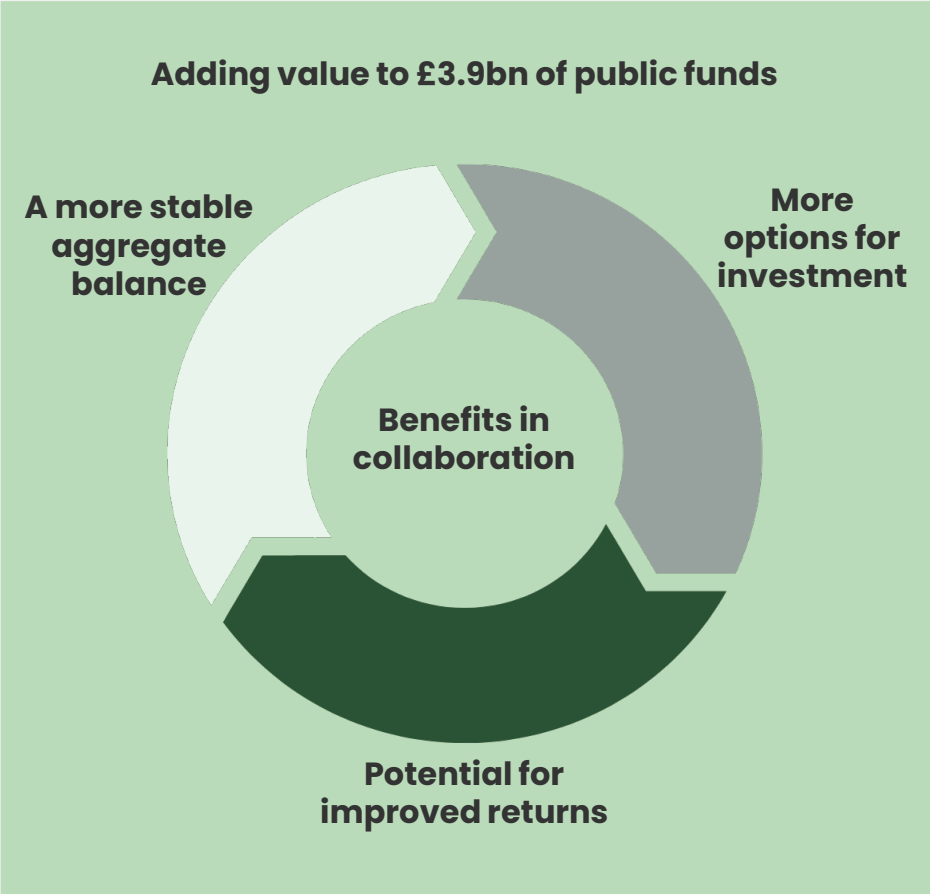
Our Impact





London Treasury is focused on achieving transformational outcomes for local authorities.



Our Impact

London Treasury Liquidity Fund (LTLF)



-  **Optimising yield and liquidity through Core and RMBS allocations.** LTLF delivered Core allocation return of 4.67% vs 4.21% benchmark and RMBS allocation return of 4.96% vs 4.53% benchmark (yr ended 31 Dec 2025).
-  **Strategic investment** allocations provide potential for upside over a longer-term horizon with a target benchmark of SONIA +3%.
-  **ESG-aligned investments:** 72% of core liquidity exposure held with banks as at 31 March 2025 was with leading or above-median ESG-rated banks.
-  **Social impact:** the LTLF portfolio includes investments in funds that deliver capital for affordable housing, renewable energy, recycling, the promotion of biodiversity and support for underrepresented entrepreneurs and sustainable businesses.

Source: LTL. Past performance is not a reliable indicator of future returns

Our Impact

Treasury Shared Service

Value added through strategic advice, deep specialism in treasury management and powerful analytical tools.



Critical evaluation of projects for clients to achieve intended objectives.



Borrowing strategies balancing liquidity needs with market conditions and medium-term outlook.



Treasury Live: Implemented across all clients. Powerful tool to deliver optimal outcomes to clients.

Our Impact

Impact Investment



£346.8m

Allocated to 15 high impact projects (GFF)

2nd

GFF Allocation & Impact Report published - reviewed by S&P Global Ratings

1st

LTLF Responsible Investment Report produced



18

ESG assessments completed for LTLF

4 High Impact

Informational events delivered (London EDGE Fund)

19

Public sector bodies undergone pipeline assessment (London EDGE Fund)

38,935 tCO₂e/year

Forecast annual GHG reduction (equivalent to taking 27,022 cars off the road) (GFF)

12

Local Authority Climate Budget Workshops delivered, 7 London boroughs adopting climate budgeting

58,783 MWh/year

Expected energy savings per annum (equivalent to the energy needed to heat 5,112 homes per year) (GFF)



4th

GLA Group Climate Budget published

£190m

Drawn from the National Wealth Fund facility. (GFF)



Our Impact

SME Investment



£150m

Amount invested by
Funding London



+1,000

Number of SMEs
supported



12,600

Jobs created and
safeguarded



+1bn

Private sector
leverage



Five Year Vision



2025-26 Establishing Foundations for Growth

2025-26 Year in Review

Organisational Maturity

Substantial focus on individual accountability, individual staff development, investing in capabilities to maintain skills and expertise to add value. Efficient decision making and robust processes and disciplines.

Quality of Output

Treasury reports of very high quality and significant value add to Treasury Shared Service Participants to support strategic decisions. Excellent analysis to inform GLA's Treasury Strategy going forward.



Business Development Strategy

Processes in place to be nimble and responsive to potential new partners. Fundamental insights gained through our discussions with several potential new LP's for the fund to inform our strategy going forward.

GLA our key Client and Stakeholder

Supporting the GLA CFO's agenda with a highly skilled and experienced Treasury Shared Service. Visibility of impact in supporting or delivering the Mayor's priorities through the LTLF, the Impact Investment Team and the SME Funds Team. Maintaining engagement with the Mayor's CoS, Deputy Mayors and Executive Directors.

Defining Our Longer-Term Plan

2026-27 and Beyond

The overriding strategic objective: to enable growth in our business, we must diversify our client base beyond the GLA Group.



The LTLF offers an opportunity for Local Authorities to maximise returns on their cash balances for the benefit of the people they serve. In 2023, the fund was restructured as a Limited Partnership to **enable Local Authorities and Mayoral/Combined Authorities to join the fund.**

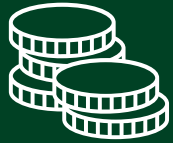
Our business development strategy for this market segment must be fine tuned to address the pain points that LA's face and overcome barriers to adoption. We also expect opportunities could arise from Local Government Reorganisation.

The Local Authority Market also represents an important opportunity for our **Treasury Shared Service** and **Impact Investment** team, where the **quality of our teams' expertise and advice** could make a significant impact, bringing resilience to key sources of risk for most Local Authorities.

Finally, alongside our imperative to grow and diversify our client base, we remain committed to supporting the delivery of the **Mayor of London's objectives.** Our focus going forward is the identification and diversification of funding sources (public and private) to support the Mayor's net zero agenda and SME's in London.

Our Vision : London Treasury in 2030

The 2025-26 financial year marked London Treasury's shift to a focus on growth. We have chosen a five- year horizon ending on 31 March 2030, to achieve the following:



Strong track record, consistently outperforming benchmark.

Diversified LP base with significant proportion from outside the GLA Group.

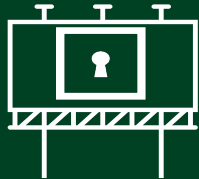


Grow SME investments by £50 million.

Continuous deployment under evergreen model.



Best in class Treasury service in demand.



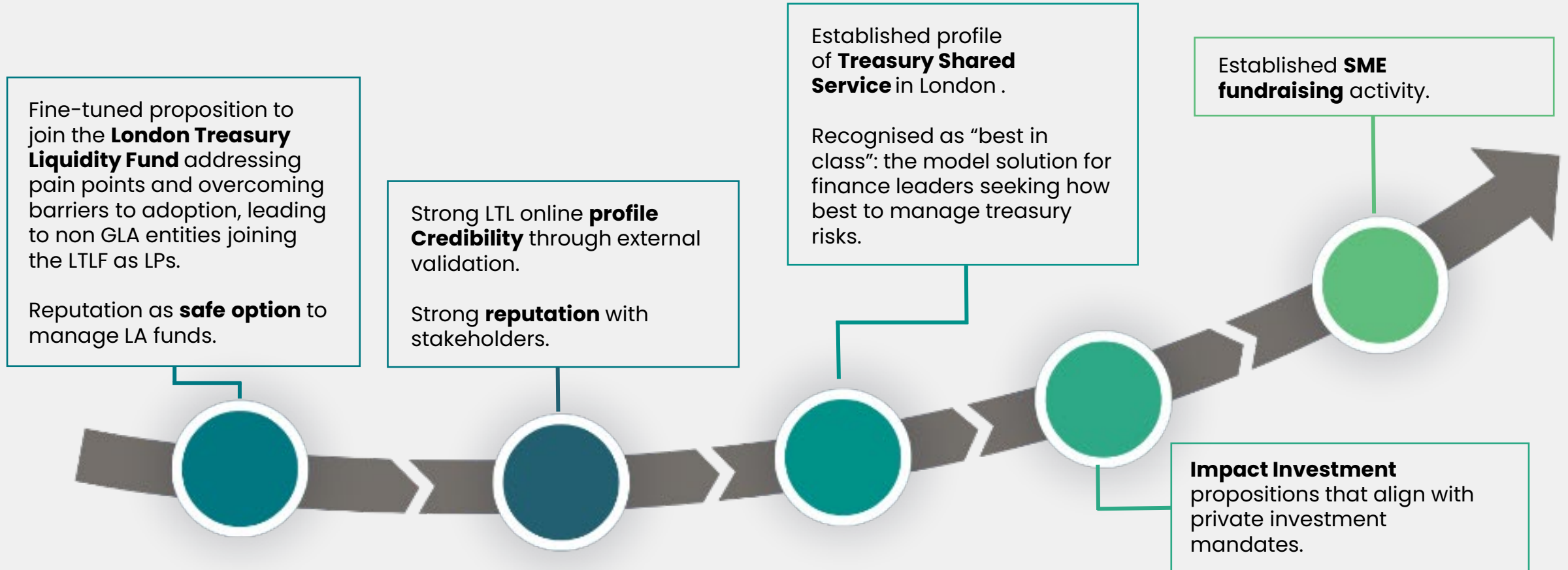
London Treasury brand well established.



Unlock co-investment for London's environment/ infrastructure.

Roadmap to 2030

Milestones to achieve our vision



2026-27 Business Plan



Priorities for 2026-27

- The business plan for the 2026-27 financial year is informed by our **gap analysis** between where London Treasury stands today and our vision for 2030.
- Within the following pages, the programme of activity for each service line and each corporate function is designed to **further our progress** towards the milestones defined in our Roadmap to 2030.
- There continues to be a focus on **evaluating team composition** and **improving ways of working** where it is seen necessary to improve client delivery and support the achievement of our vision.
- Although each of the four service lines are unique and stand alone, we seek to **leverage opportunities for collaboration** wherever possible. For example, in respect of our Marketing and Communications activities.
- Having established robust governance and compliance processes and procedures, this year will see a focus on **increasing strategic alignment of our processes and policies** to better support our strategic objectives as well as evaluating the risks and opportunities brought about by AI.

Measuring Progress

LTLF

Engagement at S151, CFO or deputy level for all potential partner discussions.

Establish connection with each LA in target list.

Full deployment of strategic allocation and higher levels of diversification.



Treasury

Evidence of impact of Treasury Live in reporting/decision making (time savings, immediate decision making, client self-service, improved cash flow and strategic data).

Strategic value add: quantified savings in debt portfolios. Enabling clients to take informed decisions about debt portfolios improving risk management.



Impact

Capital mobilised for London's climate and infrastructure priorities.

Achieve same level of GFF approvals as previous two years.

Increase ESG engagement with LTLF's portfolio.



SME

Launch of new GLIF sub-funds under the LTIG framework and progress on fund of funds proposition.

Increased pace of LCIF investment activity, with £2m deployment targeted in up to eight deals.



Measuring Progress (continued)

Raising LTL's Profile

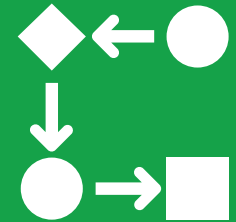
Increased levels of digital engagement, media coverage, website traffic, and audience growth across digital platforms.



Corporate

Compliance and operational processes enabling robust levels of accountability while supporting growth agenda.

Automation of corporate services enable efficiency.



Key Priorities for 2026-27 – LTLF

Growth Strategy



Continue to evolve external reporting content – monthly/quarterly reports and pitch book – these are key documents regularly reviewed by both potential and existing investors, providing the opportunity to convey positive impact and assurance.

Establish **relationships with decision makers** for each potential new LP.

Understand **key drivers** for each potential LP. Establish process, timings and approvals and agree milestones and deadlines at the beginning of the process.

Understand stumbling blocks and put mitigation plan in place at the start of process.

Business Development Plan



Target list of Local Authorities with substantial balances that would benefit from LTLF strategy.

Identify **challenges and opportunities** from Local Govt Reorganisation (e.g. redrawn boundaries, combined authorities).

Establish a dedicated Business Development function.

Key Priorities for 2026-27 – LTLF (continued)

Portfolio Priorities



Achieve benchmark returns (gross and net).

Full deployment to target portfolio allocations; **diversification** being a key factor for delivering consistent returns.

Continue to strengthen procedures and documentation of process to provide assurance to current LPs.

Strategic Investment Framework making decision-making more transparent.

Team



Streamline/simplify reporting processes and outputs to ensure timeliness, accuracy and consistency of reporting.

Explore ways to **increase efficiency** through use of available systems (Bloomberg, Quantum, State Street) starting review of alternatives to Quantum with Tfl.

Review private markets capability.

Review current team roles and responsibilities to identify opportunities to increase efficiency.

Middle Office Manager recruitment.

Free up CIO to focus on business development.

Key Priorities for 2026-27 – Treasury

Excellence in Delivery



Ensure whole team is providing a **best-in-class service**; enhancing capability through building skills in existing team and adding capabilities via targeted recruitment.

Working closely with clients.

Cutting-edge reporting by harnessing the power of the TreasuryLive system.

Continue to **prioritise GLA CFO** and **CoS** relationships and value add.

Strategic Value Add



Continue to focus on **quality and strategic value add**.

Position to take advantage of **opportunities from Local Govt Reorganisation**.

Treasury Live: adopt as primary treasury database and harness its power to deliver optimal outcomes for clients.

New clients: OSDC and OPDC coming on board. Consider what potential clients may need and adapt our offering if necessary.

Profile Building



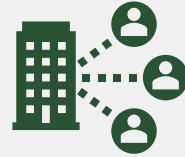
Communications strategy: highlight impact via case studies and social media channels.

Participation at key **conferences and events** (CIPFA, LTOF, LATIF, Public Finance events).

Coordinate activity with other service lines.

Key Priorities for 2026-27 – Impact Investment

Green Finance

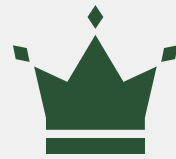


Green Finance Fund: accelerate approvals and deployment by aligning finance with planned upgrades rather than only new projects.

London EDGE Fund: scale by entering new sectors and using private-sector projects as pilots to unlock public-sector projects (reduce 1st mover reluctance).

Advance **climate budgeting** across GLA Group and boroughs.

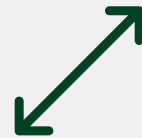
Delivery of Mayoral Priorities/London Growth Plan



Strengthen **strategic partnership** with National Wealth Fund and private sector to help deliver the London Growth Plan and climate finance objectives.

Explore opportunities to **support Mayoral Infrastructure Delivery Plan** by identifying finance-ready projects and positioning LTL as central to the infrastructure upgrade agenda.

Expansion Opportunities



Use **engagements with local authorities** to support LTL's wider growth.

Explore **new service opportunities** e.g. climate finance structuring, climate budgeting as a service, or investor-ready pipeline support.

Responsible Investment



Evolve **Responsible Investment (RI)** reporting and portfolio engagement for LTLF.

Develop **RI engagement policy** to influence counterparties' ESG practices and disclosure.

Key Priorities for 2026-27 – SME Funds

Deliver sub-funds under London Technology & Inclusive Growth Fund Framework



Leverage existing legacies to **secure** successor **debt and equity funds**.
Progress **Fund of Funds** concept with an initial goal of securing £100m+.
Seek commitments from allied institutions to reach target £100m – Identify network and connections (CIO level engagement with London LGPS pools).
Secure orderly unwinding of legacy funds as appropriate, to secure additional **investment corpus**.

London Co-Investment Fund



Continue **selective investment** activity at pre-seed stage from available returns (currently £10m).
Balance deployment rate vs operating cost coverage to sustain **evergreen model**.
Seek **additional funding** options including from fund of funds, other GLA programmes or wider investor base, as appropriate.
Continue focus on **portfolio management**.

Investment Ready Programme



Identify **funding to continuation** of the programme principal roles.
Progress conversation with the **BBB** who may be able to provide matched funding for the next batch, in 2026-27.
Seek **in-kind or cash funding** for the above match.

Key Priorities for 2026-27 – LTL Profile Building

Enhance online presence



Social media strategy: LinkedIn and bi-annual newsletter.

Search engine optimisation (SEO): Optimise content for discoverability.

Thought leadership: Articles with an educational focus, showcasing LTL's services and the benefits of the partnership

Build credibility through external validation



Press and media outreach: Announce major milestones, partnerships and new investments.

Industry awards: Apply for relevant awards to build the company's reputation.

Case studies Showcase LTL's support by outlining the challenges, solutions, and outcomes to demonstrate impact.

Strengthen reputation through stakeholder engagement



Networking, events and conferences:

LTL to exhibit/sponsor at industry conferences: LATIF, LGA (Innovation Zone), CIPFA Public Live.

Identify speaking opportunities for LTL team members.

Employee advocacy: Equip team members with materials and messaging to represent the company consistently.

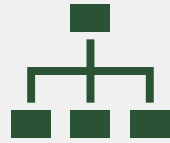
Target audience research



Analyse audience identity and behavior by assessing job roles and industries, digital engagement patterns, website analytics, and live conferences/events attendance.

Key Priorities for 2026-27 – Finance

Fee Structure Review



Treasury shared service **charging structure** to be informed by time/activity analysis.

Ensure **costs of delivering** services are covered.

Efficiency improvements



Review of fund operations and fund accounting with a view to **streamlining processes** and improving **efficiency**.

Budget Accountability



Budget planning and **discipline** pushed down to heads of services and functions.

Streamline Budget Management



Dashboards providing real time information.

Workflow for the approval of purchase orders and invoices.

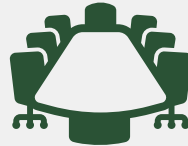
Key Priorities for 2026-27 – Governance & HR

Enhance Governance Framework



Establish a **holistic view** of internal processes and activities versus applicable GLA Governance Framework.
Ensure **strategic alignment** of governance and business objectives
Enhance **governance maturity**.

Undertake Board Review



Evaluate performance, composition and effectiveness.
Perform **skill gap analysis**.
Ensure **diversity** of skills, experiences and perspectives.
Refresh membership: maintain agility/accountability.

Champion Code of Ethics



Strengthen **ethical culture**.
Champion the **seven principles of public life**.
Embed and apply the **UK Corporate Governance Code**.

Succession Planning and Leadership Development



Foster **Board agility**.
Evaluate and **standardise Principal roles**.
Refine and formalise **talent pipeline** across teams to align with future company needs.

Key Priorities for 2026-27 – Risk and Compliance

Risk Management



Implementation of **RiskSmart** platform to manage the entire risk cycle, including registers, reporting and risk analysis and interrogation.

Deep Dives



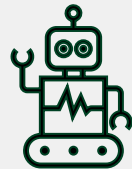
Targeted **risk deep dives** into key and evolving risks.
Compliance monitoring thematic reviews into areas of regulatory focus.

Internal Audit Evolution



LTLF and venture capital to be provided by an **external firm**.
Treasury and Impact to be provided by the **Group internal audit function**.

Technology Developments



Determine the **risk and regulatory** implications of AI and its implementation within LTL's business activities.
Ensure **operational resilience** arrangements meet regulatory expectations.

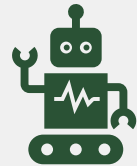
SME Funds Regulatory



Consider the appropriate **regulatory environment** for the new SME Fund structures – London Tech and Inclusive Growth Fund.

Key Priorities for 2026-27 – Evaluate AI opportunities and risks

Understand



Establish **use cases** and options to pilot /create an in-house solution.
Identify initial areas to **explore** such as marketing, training etc.
Continue to **evaluate** throughout the year.

Data Security



Incorporate AI into our **IT policy** work during Q4 2025-26.
Introduce **robust controls** and **train** our team.

Budget

London Treasury Group

Consolidated Budget 2026-27

Budget 26-27	LTL	LTLF GP	LTLF	FL GROUP	ADJ	CONSOL
GLA	1,531,983	0	0	0	0	1,531,983
SME	1,009,673	0	0	0	(1,009,673)	0
Mgmt/PPS	2,790,049	2,809,254	0	0	(5,599,303)	0
Other	97,500	11,250	157,500,000	3,526,521		161,135,271
Income	5,429,204	2,820,504	157,500,000	3,526,521	(6,608,976)	162,667,253
Staff	(4,107,189)	0	0	0	0	(4,107,189)
Establishment	(347,764)	0	(81,025)	(4,166)	0	(432,956)
Professional	(380,930)	(2,806,093)	(695,135)	(1,296,550)	3,799,722	(1,378,986)
Financing	(142,205)	(3,161)	(7,541)	(737,603)	0	(890,510)
FM costs	0	0	(4,170,550)	(2,517,411)	2,809,254	(3,878,706)
Marketing	(65,133)	0	0	(14,568)	0	(79,701)
Expenses	(5,043,222)	(2,809,254)	(4,954,251)	(4,570,297)	6,608,976	(10,768,049)
PBT	385,982	11,250	152,545,749	(1,043,777)	0	151,899,205



Budgeting process focused on cost base optimization and discipline.



Two new hires are planned to support business growth ambitions.



LTLF continues to represent excellent value for money with costs projected to be 0.12% of AUM.



Funding London entities are self financing as costs are covered from reserves.

Note: London Treasury and Funding London entities are presented as a group for ease of reference. However, they do not constitute a group in the legal sense nor is there any parent/subsidiary relationship between them.



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