

DMPC Decision – PCD 2020

Title: Treasury Management Strategy Statement (TMSS) 2026/27

Executive Summary:

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

The MOPAC TMSS will continue to be implemented via the GLA Treasury Shared Service arrangement in 2026-27.

The MOPAC TMSS will primarily make use of the London Treasury Liquidity Fund (LTLF) for investment purposes but retains the capacity if required to make investments outside of LTLF.

MOPAC is a limited partner of the London Treasury Liquidity Fund (LTLF) alongside the GLA, the London Pension Fund Authority and the GLA's functional bodies. LTLF's principal benefit to its participants is the opportunity to maximise yield regardless of size of cash balances or the volatility of cashflows. LTLF's structure enables each participant to benefit from access to a far wider range of investment opportunities and higher yield instruments than would be possible on a stand-alone basis.

The external debt and treasury management limits and indicators in Appendix 1 are consistent with the MOPAC medium term financial strategy and 2026-27 budget.

Recommendation:

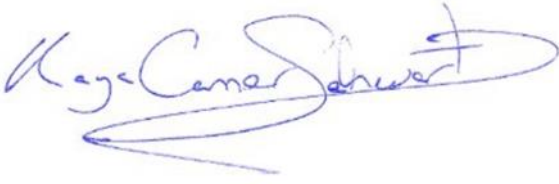
The Deputy Mayor for Policing and Crime is recommended to:

1. Approve the 2026-27 Treasury Management Strategy Statement and supporting detail as set out in Appendix 1.

Deputy Mayor for Policing and Crime

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

The above request has my approval.

A handwritten signature in blue ink, appearing to read "Kage Cemer S...". The signature is stylized and includes a large, sweeping flourish at the end.

Signature

Date 31/03/2026

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

1. Introduction and background

- 1.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services (the CIPFA TM Code) and the Prudential Code require that MOPAC adopts a Treasury Management Strategy Statement (TMSS), Treasury Management Policy Statement and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the Ministry of Housing, Communities and Local Government (MHCLG) Guidance on Local Government Investments.
- 1.2. The TMSS 2026/27 defines the policies and objectives of MOPAC's treasury management activities and roles and responsibilities. In accordance with the scheme of delegation and consent it is the responsibility of the Deputy Mayor to approve the policy and strategy each year which are set out at Appendix 1. This provides an opportunity to review the current arrangements, and MOPAC's risk appetite.
- 1.3. London Treasury Limited (LTL) provides the day-to-day management and delivery of the MOPAC treasury management function working alongside officers in the Metropolitan Police Service who manage local cash flow requirements

2. Issues for consideration

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

Borrowing

- 2.2. Borrowing will only be undertaken where necessary and subject to the profile of capital spend, capital receipts and other funding streams.
- 2.3. The approved 2026-27 capital programme funding includes unfunded capital expenditure of £359.6m requiring new prudential borrowing of £288.2m. MOPAC currently maintains an under-borrowed position, such that the capital financing requirement has not been fully funded with loan debt but by using the cash supporting MOPAC's reserves, balances and cashflow, reducing the need to borrow externally. MOPAC will continue to take such balance sheet resources into account when determining external borrowing requirements in 2026-27 (in order to avoid excessive levels of external borrowing). However, these resources are unlikely to be sufficient and the capital programme will necessitate additional external borrowing in 2026-27, and over the medium term.
- 2.4. The delivery of the future capital programme, budgeted revenue savings, use of reserves and the phasing of new asset disposals will impact the cashflow, and will continue to be kept under review.

- 2.5. The proposed strategy includes that if necessary MOPAC borrow temporarily to cover any expected shortfall and where this represents prudent management of MOPACs affairs. This reduces the risks of holding excess balances and the cost of carry. Where an opportunity to reschedule existing debt is identified this will be undertaken within the limits of this strategy.
- 2.6. The economic context for MOPAC's treasury management activities in 2026-27 is likely to be influenced by the recent Middle East conflict which has triggered a significant rise in global energy prices and has caused financial markets to price in higher levels of inflation in the near term, leading to expectations for higher short term and long-term interest rates (relative to forecasts in place before the conflict).
- 2.7. MOPAC benefits from higher short-term interest rates on its treasury investment balances but if longer term interest rates remain high MOPAC is also likely to encounter higher borrowing costs in future.
- 2.8. As at the time of writing, the medium to longer term consequences of the conflict are uncertain, causing considerable volatility in markets. MOPAC's treasury strategy aims to manage associated treasury risks in a orderly way to help deliver MOPAC's capital priorities.

Investment

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

Prudential Indicators and Treasury Management Limits.

- 2.11. Appendix C sets out the proposed 2026/27 range of prudential indicators and Treasury Management limits.

Management Arrangements

- 2.12. MOPAC has an Arrangement for Delegation for the treasury management function to the GLA. It will be the responsibility of the GLA to ensure that the function is adequately resourced and controlled. The GLA achieves this via its wholly own subsidiary, London Treasury Limited (LTL), which provides the day-to-day management and delivery of the MOPAC treasury management function working alongside officers in the Metropolitan Police Service who manage local cash flow requirements.
- 2.13. The MOPAC Chief Finance Officer will receive regular reporting from the GLA/LTL on risks, performance, progress and strategic financing advice. Treasury Management advice will be provided by MUFG Corporate Markets, or MUFG (formerly Link Group).

2.14. LTL will liaise with MOPAC/MPS for the management of cash flow.

3. Financial Comments

- 3.1. The cost of borrowing for 2026-27 is currently estimated to be £52.3m for interest payable on external borrowing and £107.1m for minimum revenue provision. Interest receivable is estimated at £10.3m. Budgets for this income and expenditure are included in the MOPAC/MPS budget for 2026-27.
- 3.2. The net treasury budgets (interest payable less interest receivable) remain consistent with refreshed interest rate forecasts set out within the TMSS and central expectations around MOPAC's medium term cash flow forecast, with some additional headroom for interest rates to increase.
- 3.3. MOPAC benefits from higher short-term interest rates on its treasury investment balances but if long term interest rates remain high, MOPAC is also likely to encounter higher borrowing costs in future.
- 3.4. The latest forecasts for interest rates estimate Bank Rate remaining at 3.75% during 2026-27 and declining to 3.25% over the medium term horizon, and the 10-year PWLB certainty rate falling from current levels of circa 5.90% to 4.60% over the same horizon.
- 3.5. Given the present elevated geopolitical risks (and the clear uncertainty around the medium to longer term consequences of the Middle East conflict), markets remain volatile and there are upside and downside risks to the central forecast for interest rates. MOPAC's treasury strategy aims to manage associated treasury risks in an orderly way to help deliver MOPAC's capital priorities.
- 3.6. New external borrowing is forecast to be £410.3m at its maximum extent in 2026-27, though due to the nature of MOPAC's cash flow profile, this requirement will not persist throughout the financial year.
- 3.7. The cost of the shared service arrangement with the GLA will be met from within existing resources.

4. Legal Comments

- 4.1. Under Section 1 of the Local Government Act 2003, MOPAC as a local authority defined under s23 of that Act, may borrow money for any purpose relevant to its functions under any enactment, or for the purpose of the prudent management of its financial affairs.
- 4.2. The Mayor is required under s3 of the Local Government Act 2003 to determine how much money the GLA and each functional body (which includes MOPAC) can afford to borrow. In complying with this duty, Regulation 2 of the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 requires the Mayor to have regard to the Prudential Code for Capital Finance in Local Authorities when determining how much MOPAC can afford.

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

5. Commercial Issues

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

6. GDPR and Data Privacy

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

7. Equality Comments

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

8. Background/supporting papers

Appendix 1 - Treasury Management Strategy Statement 2026/27

Public access to information

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

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

Part 1 Deferral:

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

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

Is there a **Part 2** form – NO

ORIGINATING OFFICER DECLARATION	<i>Tick to confirm statement (✓)</i>
Financial Advice: The Strategic Finance and Resource Management Team has been consulted on this proposal.	✓
Legal Advice: Legal advice is not required.	✓
Commercial Issues The Contracts and Procurement Management Team has been consulted on this proposal.	✓
Equalities Advice: There are no equality issues arising from this report	✓
Commercial Issues Commercial issues are not applicable.	✓
GDPR/Data Privacy <ul style="list-style-type: none"> • GDPR compliance issues are covered in the body of the report • A DPIA is not required. 	✓
Drafting Officer Annabel Cowell has drafted this report in accordance with MOPAC procedures.	✓
Director/Head of Service: The MOPAC Chief Finance Officer and Director of Corporate Services has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓

Chief Executive Officer

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

- Use of External Service Providers
 - Treasury Training
 - Treasury Management Policy Statement (Appendix A)
 - Minimum Revenue Provision (MRP) Policy Statement (Appendix B)
 - Prudential Code Indicators and Treasury Management Limits (Appendix C)
 - Treasury Management Practices: Main Principles (Appendix D)
 - The Investment Strategy (Appendix E)
- 5) In covering the above areas, as per its Treasury Management Policy Statement (Appendix A), MOPAC regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Responsibility for risk management and control lies within MOPAC and cannot be delegated to any outside organisation.
- 6) The Treasury Management risks MOPAC is exposed to are:
- Credit and counterparty risk (security of investments)
 - Liquidity risk (inadequate cash resources)
 - Interest and market risk (fluctuations in interest rate levels and thereby in the value of investments)
 - Refinancing risks (impact of debt maturing in future years)
 - Legal and regulatory and fraud risk (non-compliance with statutory and regulatory requirements, risk of fraud).
- 7) These risks are further discussed in Appendix D (Treasury Management Practices: Main Principles)
- 8) MOPAC formally adopts The TM Code through the following provisions:
- i. MOPAC will create and maintain as the cornerstones for effective treasury management:
 - a Treasury Management Policy Statement stating the policies, objectives and approach to risk management of its treasury management activities and
 - suitable Treasury Management Practices (TMPs), setting out the manner in which MOPAC will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the proposed policy statement and TMPs follow the recommendations contained in Sections 6 and 7 of the TM Code, subject only to amendment where necessary to reflect the circumstances of MOPAC. Such amendments do not result in MOPAC materially deviating from the TM Code's key principles.
 - ii. The Deputy Mayor for Policing and Crime will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, quarterly and a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
 - iii. The Deputy Mayor for Policing and Crime holds responsibility for the implementation and regular monitoring of MOPAC's treasury management policies and practices and delegates treasury management decisions within the parameters of the TMSS to the MOPAC Chief Finance Officer (CFO) and the execution and administration of those decisions to the Greater London Authority (GLA), pursuant to Section 401(A) of the GLA Act 1999. The MOPAC CFO

will act in accordance with the organisation's policy statement and TMPs and, if this officer is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

- iv. MOPAC has delegated to MOPAC Audit Panel the responsibility for ensuring effective scrutiny of the treasury management strategy and policies.
- v. Should there be a need to revise the Treasury Management Strategy, the Treasury Management Policy Statement, the Minimum Revenue Provision Policy Statement, the Prudential Code Indicators and Treasury Management Limits, the Investment Strategy and the Treasury Management Practices at times other than those stated above, then these updates will be submitted to the Deputy Mayor for Policing and Crime for approval, with the exception for the Authorised limit, which can only be changed by Mayoral Decision and consultation with the London Assembly. MOPAC will be fully consulted if any such changes are required.
- vi. Should the MOPAC CFO wish to depart in any material respect from the main principles of the TM Code, the reason should be disclosed, in advance, in a report to the Deputy Mayor for Policing and Crime.

Economic Background and Prospects for Interest Rates

Summary

- 9) The economic context for MOPAC's treasury management activities in 2026-27 is likely to be influenced by the recent Middle East conflict which has triggered a significant rise in global energy prices and has caused financial markets to price in higher levels of inflation in the near term, leading to expectations for higher short term and long-term interest rates, relative to expectations in place before the conflict.
- 10) MOPAC benefits from higher short-term interest rates on its treasury investment balances but if long term interest rates remain high, MOPAC is also likely to encounter higher borrowing costs in future.
- 11) The conflict has occurred after a period of disinflation in the UK economy, where growth has also been somewhat weak. Consequently, the central forecast for interest rates, set out in table 1 below, is based on the expectation that the Bank of England will refrain from cutting interest rates until the risks of higher inflation dissipate, but that looser monetary policy will ultimately still be required over the medium term to maintain inflation at target and growth in the domestic economy.
- 12) Given the present elevated geopolitical risks (and the clear uncertainty around the medium to longer term consequences of the Middle East conflict), markets remain volatile and there are upside and downside risks to the central forecast for interest rates. MOPAC's treasury strategy aims to manage associated treasury risks in an orderly way to help deliver MOPAC's capital priorities.

Detailed Background and Forecast

- 13) Prior to March 2026, inflation in the UK, as measured by the Consumer Price Index, had steadily declined from 3.8% in July 2025 to 3.0% in January 2026 and the Bank of England's Monetary Policy Committee (MPC) had expected CPI to reach the Bank's target of 2.0% from April 2026. This outlook was consistent with expectations that the Bank would need to continue to gradually loosen monetary policy over the near term to maintain inflation at target and support economic growth. Bank Rate was expected to be cut to 3.25% by December 2026 from its current level of 3.75%, and from a recent high of 5.25% in August 2024. Short term interest rates are the key determinant of MOPAC's rate of return on its treasury investment balances. Longer term interest rates – which underpin the cost of PWLB borrowing – were expected to fall marginally over this horizon.
- 14) The advent of conflict in the Middle East at the end of February 2026 has created a surge in oil and gas prices and led to investors to expect higher inflation in the UK, and as a result, higher interest rates. The UK economy is particularly exposed to the energy supply disruptions resulting from the conflict due to its

reliance on imported energy, which means higher energy prices could feed through to broader measures of inflation more quickly. Higher energy costs for businesses and households are also likely to cause economic growth to be lower and (while no significant policies have been announced thus far) may induce the government to use fiscal policy to reduce energy costs, which could result in higher levels of government borrowing if tax rises are not used to fund any new support for energy bills. The Bank of England will also be mindful of the risk of higher interest rates causing economic growth to be lower.

- 15) The MPC decided to hold Bank Rate at 3.75% at its March meeting and noted the prospect for higher inflation in the near term, revising upward its forecast for CPI to 3.0 and 3.5% for the next two quarters. The MPC signalled its willingness to act to keep inflation at target (by raising interest rates) and, following the meeting, the market now no longer expects Bank Rate to be cut and has priced in two-three 0.25% increases to Bank Rate by the end of the calendar year 2026, though markets remain volatile. Notwithstanding market pricing, Mitsubishi UFG (“MUFG”, treasury advisors to the GLA the treasury shared service) expect on balance that the MPC will hold Bank Rate at 3.75%, rather than to raise rates initially, until the risks of an inflation have subsided before continuing to pursue a looser monetary policy. MUFG’s forecasts for short term (Bank Rate) and long term (PWLB rates at various durations) are shown in table 1 below.
- 16) The immediate increase in interest rates has occurred across the yield curve and in the debt markets, PWLB borrowing rates have experienced upward pressure with the certainty rate on new 10 year PWLB loans increasing from 5.14% at the start of March to 5.72% at the 20th March. The outlook for long term interest rates is uncertain and will depend not only on how geopolitical risks (including the duration of the ongoing conflict in the Middle East) evolve and interact with inflation expectations, but also on domestic political events and the Bank of England’s decisions around monetary policy. MUFG’s central expectation is for yields to gradually fall over the forecast horizon.

Table 1: MUFG Interest rate view – March 2026

	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	3.75	3.75	3.75	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25
5yr PWLB	5.00	5.00	4.90	4.80	4.60	4.40	4.20	4.20	4.10	4.10	4.10	4.10
10yr PWLB	5.50	5.50	5.40	5.30	5.10	4.90	4.70	4.70	4.60	4.60	4.60	4.60
25yr PWLB	6.00	6.00	5.90	5.80	5.60	5.40	5.20	5.20	5.20	5.20	5.10	5.10
50yr PWLB	5.80	5.80	5.70	5.50	5.40	5.20	5.00	5.00	5.00	5.00	4.90	4.90

Forecast Treasury Management Position

- 17) MOPAC's forward treasury portfolio position is summarised below. The table shows the actual external borrowing against the underlying capital borrowing requirement (the Capital Financing Requirement – CFR), highlighting any over or under borrowing. The table compares the underlying borrowing requirement to the balance sheet capacity to support internal borrowing, demonstrating that a shortfall arises in 2026-27, which will need to be met from new external borrowing. The table assumes that investment balances are maintained at a minimum of £20.0m, providing an allowance for short term liquidity needs.

Table 1: Forecast Treasury Position as at 31 March	2025-26 Forecast	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate
External Borrowing				
Long term borrowing	867.4	811.8	755.2	713.6
Short term borrowing	120.0	0.0	0.0	0.0
Total External Borrowing at 31 March	987.4	811.8	755.2	713.6
Other Long-Term Liabilities				
PFI Liability	61.9	40.3	17.0	1.3
Finance Lease Liability	100.4	91.3	82.4	74.3
Total Other Long-Term Liabilities at 31 March	162.3	131.6	99.4	75.6
Total Gross Debt	1,149.6	943.3	854.6	789.2
Capital Financing Requirement	1,589.1	1,739.9	1,781.8	1,768.9
Less Other Long-Term Liabilities	-162.3	-131.6	-99.4	-75.6
Underlying Capital Borrowing Requirement	1,426.8	1,608.3	1,682.4	1,693.2
Under/(Over) Borrowing Position	439.4	796.6	927.2	979.7
Cover for Under/(Over) Borrowing Position	459.5	386.3	357.3	348.8
Estimated Shortfall / (Surplus available for Investments)	-20.0	410.3	570.0	630.9
Investments as at 31 March	20.0	20.0	20.0	20.0
Net Borrowing	967.3	791.8	735.2	693.6

Borrowing Strategy

Delegation/ Authorisation

- 18) The arrangements for borrowing, including the selection and the type and structure of debt instruments, are delegated to the MOPAC CFO, provided no decision contravenes the limits set out in the prevailing TMSS.
- 19) The MOPAC CFO is:
- authorised to approve borrowing by MOPAC, for the purposes of financing capital expenditure
 - authorised to make use of cash balances to fund internal borrowing when it is considered advantageous
 - authorised to borrow temporarily within the Authorised Limit, where this represents prudent management of MOPAC's affairs. As an example, where a cash flow requirement is short-lived, the opportunity cost of withdrawing or otherwise liquidating investments may exceed that of temporary borrowing. In such circumstances, borrowing may be the prudent action.
 - authorised to borrow temporarily above the Authorised Limit where, and only where the amount of the increased limit represents the amount of any delayed payment which is due to MOPAC 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.
- 20) All borrowing decisions should be reported to the Audit Panel at the first opportunity within the treasury management cycle.

Internal borrowing approach

- 21) When using cash balances to fund internal borrowing, MOPAC acknowledges that this may reduce credit risk and short-term net financing costs. However, any decision to undertake internal borrowing will be tempered by the following considerations:
- MOPAC must maintain sufficient liquidity to be certain of meeting existing borrowing and other obligations
 - The measures set out in the investment strategy below substantially control credit risk
 - The materiality of such risks should be considered in the light of the long-term financial consequences of sub-optimal borrowing decisions
 - Agreements with central government specifying particular levels of borrowing and
 - Investment rates are expected to remain below borrowing rates over the next 12 months.

Policy on Borrowing in Advance of Need

- 22) The MOPAC Group will not borrow purely to profit from the investment of the surplus borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that MOPAC can ensure the security of such funds.
- 23) In determining whether borrowing will be undertaken in advance of need the MOPAC will:
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets are considered to be affordable and are within the forward approved Capital financing requirement estimate
 - evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
 - consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships and
 - consider the alternative interest rates bases available, the most appropriate periods to fund and repayment profiles to use.

Debt Rescheduling

- 24) PWLB pricing policies currently impose a considerable spread between the rate of new loans and the rate used to calculate premiums or discounts on early redemption. This means that there are prohibitively expensive premia in relation to achievable savings. This emphasises the importance of attempting to optimise maturity profiles at the point of entering into borrowing.

Investment Strategy

- 25) MOPAC maintains a low-risk appetite consistent with good stewardship of public funds. MOPAC's investment priorities will be security first, portfolio liquidity second and then yield (return). MOPAC will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity and within the Group's risk appetite. Investments are managed in such a way as to make realised losses at the portfolio level extremely unlikely, while capturing the optimum return within these constraints.
- 26) The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decision to support the revenue budget will have an ongoing impact on investments, unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end investment balances.

Table 2: Core Funds and Expected Investment Balances	2025-26 Forecast	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate
Fund Balances/Reserves	237.6	177.4	148.4	139.9
Provisions	50.5	50.5	50.5	50.5
Other	0.0	0.0	0.0	0.0
Total Core Funds	288.2	228.0	198.9	190.4
Working Capital Surplus	171.3	178.4	178.4	178.4
Internal borrowing	439.4	386.3	357.3	348.8
Expected Investments	20.0	20.0	20.0	20.0

- 27) The MOPAC's Group's short-term cash balances are managed by the GLA's subsidiary, LTL and third-party asset managers appointed, through LTLF. The investment strategy for this arrangement

is included within Appendix E but is subject to the agreement of all participating authorities; the MOPAC CFO is authorised, having taken proper advice from MUFG or other suitably qualified advisors, to agree amendments to this, provided that the underlying exposures of any amended strategy do not breach the limits set out in Appendix E.

Investment Strategy 2026-27

- 28) The Investment strategy is considered and agreed by all Partners before the start of each financial year. A common approach permits maximum efficiency of the investment strategy.
- 29) Additionally, MOPAC’s CFO may from time to time instruct LTL to invest sums independently, for instance, if MOPAC identifies balances which are available for longer term investment, after proper consideration of expected future cash flows, as at the time of investment. It is proposed that MOPAC adopt an identical set of parameters for such investments as those detailed in Appendix E. However, regard must always be given to the Treasury Managements Limit ‘Limits for Principal Sums Invested for Periods Greater than 365 Days’ (Appendix C section 6.3).
- 30) Following the transfer of funds to the GLA for investment, MOPAC aims to have a daily net zero balance across the suite of NatWest accounts it operates.
- 31) Whilst MOPAC sets its Annual Investment Strategy at the start of each financial year, this need not be a once-a-year event, and the initial investment strategy may be replaced by a revised strategy, at any time during the year, on one or more occasions, subject to the approval of MOPAC. All Investment strategies approved by MOPAC will be made available to the public free of charge, on print or online.

Treasury Management Budget

32) The Table below provides a breakdown of the treasury management budget, excluding financing costs associated with other long term liabilities (finance leases and PFI).

Table 3: Treasury Management Budget	2025-26 Forecast	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate
Interest payable	41.5	52.3	58.3	58.5
Interest receivable	-18.7	-10.3	-10.3	-10.3
Minimum revenue provision for debt repayment	95.2	107.1	122.2	124.6
Total	118.0	149.2	170.3	172.9

- 33) The net treasury budgets (interest payable less interest receivable) remain consistent with refreshed interest rate forecasts set above and central expectations around MOPAC’s medium term cash flow forecast, with some additional headroom for interest rates to increase.
- 34) In implementing the treasury strategy, the CFO will set out to achieve a net cost of treasury (interest payable less interest receivable) within budgeted parameters and to manage the heightened uncertainty around future interest rates in accordance with the strategy set out in this document.
- 35) The MRP charge is in line with the MOPAC’s MRP Policy.

Use of External Service Providers

36) MOPAC uses the MUFG Corporate Markets as its external treasury management advisor under a joint arrangement with the Greater London Authority. Whilst recognising the specialist skills and resources such advisors can provide, MOPAC recognises that responsibility for treasury management decisions remains wholly with the organisation and will ensure that undue reliance is

not placed upon external service providers. MOPAC, in conjunction with the GLA Treasury Shared Service (supported by LTL) monitors and maintains the quality of this service by regular review and assessment.

- 37) MOPAC does not directly employ any external fund managers, however in the event of appointment, appointees will comply with this and subsequent treasury strategies. In addition, before any appointment is made, a fully costed appraisal would be performed and approval from MOPAC obtained.
- 38) NatWest Plc are the MOPAC's bankers and continue to provide a competitive service under an annual rolling contract.
- 39) In addition to the GLA's wholly owned investment management subsidiary, LTL, under the London Treasury Liquidity Fund (LTLF), uses two external fund managers, TwentyFour Asset Management and Prytania Asset Management, for the Fund's Residential Mortgage Backed Securities (RMBS) investments. These and any future appointed managers must be authorised and regulated by the Financial Conduct Authority.
- 40) LTLF uses State Street Bank and Northern Trust as custodians of the any tradeable instruments (such as Treasury Bills). The investment policy is that any custodian (or sub-custodian, as may be the case) shall meet the credit criteria for 12 month investments as set out in the Investment Strategy (prior to Credit Default Swaps Market or other temporary adjustments). This restriction will apply to any custodian (or sub-custodian) appointed directly by MOPAC.

Treasury training

- 41) The Code requires that members with responsibility for treasury management receive adequate training in treasury management. Those charged with governance are also personally responsible for ensuring they have the necessary skills and training
- 42) Member/ senior officer training is available from the MOPAC's external treasury advisors (MUFG Corporate Markets) and will be arranged as required
- 43) London Treasury officers performing regulated roles are obliged to undertake regulatory and technical training as required from time to time by LTL's Board
- 44) LTL officers also routinely attend national forums and practitioner groups, such as the CIPFA Treasury Management Network
- 45) LTL officers supported by MUFG, maintain a regular training programme available to all participating in the shared service and is arranged as required
- 46) Notwithstanding the above, the training needs of Treasury officers and committee members are periodically reviewed.

Appendix A: Treasury Management Policy Statement

1. Policy Statement

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

Appendix B: Minimum Revenue Provision (MRP) Policy Statement

1. Policy Statement

- 1.1 MRP is the amount of revenue funding set aside each year as a provision for debt i.e. the provision in respect of capital expenditure financed by borrowing or credit arrangements.
- 1.2 Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) provides that for the financial year 2007/08 and subsequent financial years, the detailed MRP calculation is to be replaced with the requirement that:
- 1.3 'A Local Authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent'.
- 1.4 The guidance also recommends that the annual MRP policy is presented to MOPAC for approval before the start of the financial year to which it relates. Any in-year changes must also be submitted to MOPAC for approval.
- 1.5 For 2026-27 MOPAC will make a minimum revenue provision (MRP) in accordance with: -
 - (a) the capital financing requirement method for any borrowing undertaken prior to 2008/09, and for all borrowing undertaken since that date supported through the revenue grant settlement, and
 - (b) the asset life method for unsupported borrowing undertaken in 2008/09 and subsequent years as permitted by the flexibilities provided under the Prudential Code.
- 1.6 In accordance with The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting, MRP in respect of (a) Private Finance Initiative schemes and (b) assets subject to finance leases, both of which are now recorded as long term liabilities, is made by recognition of an element of the annual unitary charge as repayment of principal.

Appendix C: CIPFA Prudential Code Indicators and Treasury Management Limits

1.0 Background

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

2.0 Capital Expenditure

2.1 Capital Expenditure

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

Capital Expenditure	2025-26 Forecast	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate
Total Capital Expenditure	339.2	359.6	300.8	223.9
Financed by:				
Capital Grants & Third Party Contributions	36.3	49.9	42.1	27.1
Revenue Contributions	0.0	10.9	29.7	49.7
Capital Receipts	17.1	10.6	33.2	12.1
Net financing need for the year	285.8	288.2	195.8	134.9

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

2.2.1 The capital financing requirement is an indication of the underlying need to borrow for capital purposes. It is the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resource.

2.2.2 It is essentially a measure of the Authority's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been charged to the revenue account, will increase the CFR. The annual MRP acts to spread the revenue impact over the aggregate useful life of the assets in question.

Capital Financing Requirement (CFR)	2025-26 Forecast	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate
Total CFR*	1,589.1	1,739.9	1,781.8	1,768.9
Movement in CFR	158.7	150.9	41.9	-13.0
Movement in CFR represented by				
Net financing need for the year (see Capital Expenditure table)	285.8	288.2	195.8	134.9
Less Principal Repayments for Finance Leases and PFI	31.9	30.3	31.7	23.3
Less MRP/VRP** and other financing movements	95.2	107.1	122.2	124.6
Movement in CFR	158.7	150.9	41.9	-13.0

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

3.0 External Debt Prudential Indicators

3.1 Authorised Limit for External Debt

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

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

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

Authorised Limit for External Debt	2025-26 Revised	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate
Borrowing	1,337.7	1,485.9	1,530.3	1,556.3
Other long-term liabilities	192.5	162.3	131.6	99.4
Total	1,530.2	1,648.2	1,661.9	1,655.8

3.2 Operational Boundary for External Debt

3.2.1 The operational boundary is based on the same estimates as the authorised limit. However, it reflects an estimate of the most likely prudent but not worst-case scenario. It equates to the maximum level of external debt under the capital spending plans approved by the Mayor and excludes the headroom included within the authorised limit.

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

Operational Boundary for External Debt	2025-26 Revised	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate
Borrowing	1,242.9	1,391.6	1,437.4	1,455.1
Other long-term liabilities	162.3	131.6	99.4	75.6
Total	1,405.2	1,523.2	1,536.9	1,530.8

3.3 Gross Debt and the Capital Financing Requirement

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

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

Gross Debt and the Capital Financing Requirement	2025-26 Forecast	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate
Gross Debt at 31 March	1,157.6	943.3	854.6	789.2
Capital Financing Requirement	1,589.1	1,739.9	1,781.8	1,768.9

4.0 Affordability Prudential Indicators

4.1 Ratio of Net Financing Costs to Net Revenue Stream

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

Net Financing Costs to Net Revenue Stream	2025-26 Forecast	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate
Total	4.7%	4.9%	5.3%	5.1%

5.0 Treasury Management Prudential Indicator

5.1 The Treasury Management Prudential Indicator requires the adoption of the latest version of the CIPFA Code of Practice for Treasury Management in the Public Services.

5.2 MOPAC has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

6.0 Treasury Management Limits on Activity

6.1 Limits for Maturity Structure of Borrowing

6.1.1 Local Authorities are exposed to the risk of having to refinance debt at a time in the future when interest rates may be volatile or uncertain. The maturity structure of borrowing indicator is designed to assist Authorities in avoiding large concentrations of debt that has the same maturity structure and would therefore need to be replaced at the same time. The indicator is calculated as the amount of projected borrowing that is maturing in each period, expressed as a percentage of total projected borrowing. For each maturity period an upper and lower limit is set.

6.1.2 The maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment. Where the lender has the right to increase the interest rate payable without limit, the maturity date will be deemed to be the next call date.

Limits for Maturity Structure of Borrowing	Upper Limit	Lower Limit
	%	%
Under 12 months	50.00	0.00
12 months to 2 years	30.00	0.00
2 years to 5 years	40.00	0.00
5 years to 10 years	50.00	0.00
10 years to 20 years	50.00	0.00
20 years to 30 years	60.00	0.00
30 years to 40 years	40.00	0.00
40 years to 50 years	30.00	0.00

6.1.3 The capital strategy implies that a significant amount of external borrowing will need be undertaken over the medium term (see forecast treasury position above). No changes to the maturity structure are needed and the existing limits provide scope to facilitate the new external borrowing, allowing the organisation to continue to optimise the balance between cost and risk management; ensure borrowing can be matched with the useful asset lives of the assets being financed; and to enable any potential debt portfolio restructuring.

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

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

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

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

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

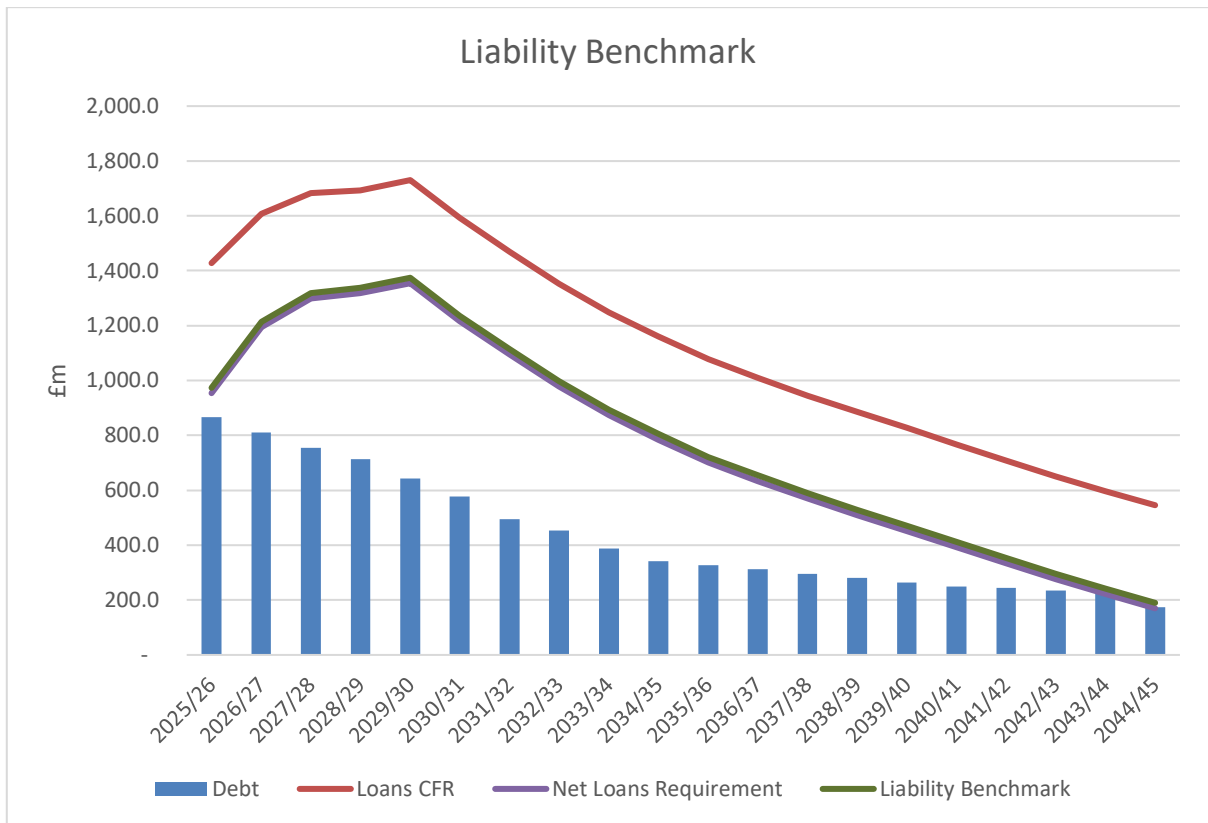
Upper limit for principal sums invested for longer than 365 days	Maximum principal sums invested >365 days		
	2023-24	2024-25	2025-26
Principal sums invested for longer than 365 days	0.00	0.00	0.00

7.0 Liability Benchmark

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

3.1.2 There are four components to the Liability Benchmark: -

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



- 3.1.3 The authority's capital strategy involves a significant increase in the Capital Financing Requirement over the medium term, which will be brought down over the longer term via MRP.
- 3.1.4 The chart indicates a sizeable gap between the current stock of external debt and the liability benchmark.
- 3.1.5 A portion of the authority's CFR is expected to be financed via internal borrowing, supported by reserves, provisions and a working capital surplus.
- 3.1.6 However, the benchmark demonstrates a clear need to undertake new external borrowing in the future.

Appendix D: Treasury Management Practices: Main Principles

1.0 INTRODUCTION

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

2.0 TMP1 RISK MANAGEMENT

2.1 General statement

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

2.2 Credit and counterparty risk management

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

2.3 Liquidity risk management

- 2.3.1 The MOPAC CFO will ensure MOPAC has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities, to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.
- 2.3.2 The MOPAC CFO will only borrow in advance of need, where there is a clear business case for doing so, and will only do so for the current capital programme or to finance future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the organisation.

2.4 Interest rate risk management

- 2.4.1 The MOPAC CFO will manage MOPAC's exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 'Reporting requirements and management information arrangements'.
- 2.4.2 The MOPAC CFO will achieve this by the prudent use of MOPAC's approved instruments, methods, and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications. It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs, and that the policy for the use of derivatives is clearly detailed in the annual strategy and that legal and professional advice will be taken in advance to establish a clear powers basis for any such transaction and highlight any contractual risks.

2.5 Exchange rate risk management

- 2.5.1 The MOPAC CFO will manage its exposure to fluctuations in exchange rates, so as to minimise any detrimental impact on its budgeted income/expenditure levels.

2.6 Inflation risk management

- 2.6.1 The MOPAC CFO will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly, in the context of the whole organisation's inflation exposures.

2.7 Refinancing risk management

- 2.7.1 The MOPAC CFO will ensure that MOPAC's borrowing and other long term liabilities are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to MOPAC as can reasonably be achieved in the light of prevailing market conditions.
- 2.7.2 The MOPAC CFO will actively manage MOPAC's relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding, if this might jeopardise achievement of the above.

2.8 Legal and regulatory risk management

- 2.8.1 The MOPAC CFO will ensure that all MOPAC's treasury management activities comply with statutory powers and regulatory requirements. They will demonstrate such compliance, if required to do so, to all parties with whom MOPAC deals in such activities. In framing its credit and counterparty policy under TMP[1] 'credit and counterparty risk management' in the TMP schedules, they will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with MOPAC, particularly with regard to duty of care and fees charged.
- 2.8.2 The MOPAC CFO recognises that future legislative or regulatory changes may impact on treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on MOPAC.

2.9 Operational risk, including fraud, error and corruption

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

2.10 Market/Price risk management

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

3.0 TMP2 PERFORMANCE MEASUREMENT

- 3.1 The MOPAC CFO is committed to the pursuit of value for money in MOPAC's treasury management activities, and to the use of performance methodology in support of that aim, according to methodology determined from time to time by MOPAC's CFO.
- 3.2 Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the TMP's. The criteria will include measures of effective treasury risk management and not only measures of financial performance (income or savings).

4.0 TMP3 DECISION-MAKING AND ANALYSIS

- 4.1 The MOPAC CFO will maintain full records of MOPAC's treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for accountability, e.g. demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

5.0 TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

- 5.1 The MOPAC CFO will undertake MOPAC's treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 'Risk management'.
- 5.2 Should the MOPAC CFO consider the potential use of derivative instruments for the management of risks, these risks will be limited to those set out in its annual treasury strategy.

The MOPAC CFO will seek legal and financial advice and will ensure that it fully understands those products and has the ability to enter into such arrangements.

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

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

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

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

- 6.3 If and when MOPAC intends, as a result of lack of resources or other circumstances, to depart from these principles, the MOPAC CFO will ensure that the reasons are properly reported in accordance with TMP6 'Reporting requirements and management information arrangements', and the implications properly considered and evaluated.

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

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

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

7.0 TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS.

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

- 7.2 As a minimum:

MOPAC will receive

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

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

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

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

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

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

8.0 TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

8.1 The MOPAC CFO will prepare, and MOPAC will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 'Risk management', TMP2 'Performance measurement', and TMP4 'Approved instruments, methods and techniques.'

8.2 The MOPAC CFO will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with TMP6 'Reporting requirements and management information arrangements.'

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

9.0 TMP8 CASH AND CASH FLOW MANAGEMENT

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

10.0 TMP9 MONEY LAUNDERING

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

11.0 TMP10 TRAINING AND QUALIFICATIONS

- 11.1 The MOPAC CFO recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. They will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The MOPAC CFO will recommend and implement the necessary arrangements, including the specification of the expertise, knowledge and skills required by each role or member of staff.
- 11.2 The MOPAC CFO will ensure that MOPAC's members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.
- 11.3 Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.
- 11.4 The GLA's subsidiary company, London Treasury Limited (LTL), is responsible for providing strategic advice on and subsequently managing the GLA's borrowings, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks and the paramount objective of preserving capital.
- 11.4 As part of LTL's adherence to the Senior Managers and Certification Regime of the Financial Conduct Authority (FCA), LTL staff are obliged to undertake regulatory and technical training as required from time to time by LTL's board. They also routinely attend national forums and practitioner groups, such as the CIPFA Treasury Management Network.
- 11.5 The training needs of officers and elected members are reviewed annually.
- 11.6 LTL, supported by its external treasury management advisor, will maintain a regular training programme available to elected members and all senior officers participating in the GLA's treasury management shared service. A record of the training provided will be kept for future reference.
- 11.7 The present arrangements, including a knowledge and skills schedule, are detailed in the TMP Schedules.

12.0 TMP11 USE OF EXTERNAL SERVICE PROVIDERS

- 12.1 MOPAC recognises that responsibility for the treasury management decisions remains with MOPAC at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangement rests with the MOPAC CFO.
- 12.2 MOPAC's treasury management investments are managed by the GLA's subsidiary company, London Treasury Limited (LTL), which is authorised and regulated by the FCA to manage investments and provide investment advice.

- 12.3 MOPAC uses MUFNG Pension & Market Services (formerly known as Link Treasury Services Limited), as its external treasury management advisor, under a joint arrangement with other members of the GLA's treasury management shared service. Other professional advisors may be appointed to assist with particular projects.
- 12.4 Whilst recognising the specialist skills and resources advisors can provide, MOPAC acknowledges that responsibility for treasury management decisions remains with the organisation and will ensure that undue reliance is not placed upon external service providers.
- 12.5 External managers for treasury investments will comply with this and subsequent treasury management strategies and more detailed investment mandates prepared by the MOPAC CFO. At the time of writing, MOPAC has no directly engaged external managers in respect of treasury investments.
- 12.6 The NatWest group is MOPAC's banker and continues to provide a competitive service under an annual rolling contract.
- 12.7 MOPAC's policy is that any custodian (or, if relevant, sub-custodian) shall meet the GLA's credit criteria for 12-month investments (prior to Credit Default Swaps, market or other temporary adjustments).

13.0 TMP12 CORPORATE GOVERNANCE

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