

GREATER LONDON AUTHORITY

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2241

Title: Procurement of Investment Advisors

Executive Summary:

The GLA has created an Investment Committee within GLAP to consider investments made by the GLA or GLAP to support affordable housing, subject to prudent return hurdles. Similarly, in support of advancing the shared service for treasury management, the GLA intends to constitute a committee within London Treasury Limited (the GLA's appointed (and soon to be GLA group wholly owned) Financial Services and Markets Act 2000 (FSMA) authorised investment managers) for the consideration of longer term investments for pooled balances, to obtain better Value for Money for London taxpayers. The complexity and long-term nature of the transactions being considered warrant specialist advice to supplement in house expertise.

This ADD seeks authority to incur expenditure on the services of Investment Advisors from July 2018.

Decision:

That the Assistant Director- Group Finance approves expenditure of up to £50,000 on investment advisory services for GLAP and London Treasury Limited (and the GLA itself as the case may be) for a period of up to 3 years commencing from July 2018.

A panel of up to 3 advisors will be appointed, in order to maximise access to relevant expertise and mitigate conflicts of interest.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT:

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: David Gallie

Position: Assistant Director – Group Finance

Signature:



Date:

20 / 6 / 18

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 The GLA, through the Housing and Land Directorate, plans to take a more interventionist approach in the London's land market, with the aim of getting more homes built; increasing the proportion of affordable homes; accelerating the speed of building and capturing value uplift for public benefit. Part of this strategy is the establishment of a Homes for Londoners land fund (see MD2207) comprising of £250m funded from housing and land resources and receipts from the GLA and Greater London Land & Property (GLAP). This fund is subject to strict commercial return hurdles. In addition, the GLA intends to use part of the overall affordable homes programme budget to proactively commission (see MD2282) schemes which unlock or accelerate high levels of affordable housing. This could be through upfront funding to meet infrastructure, land assembly or remediation requirements. It could also involve up-front investment, on a bespoke basis, to maximise the provision of affordable homes within estate regeneration schemes, Build-to-Rent proposals or direct land acquisition by the GLA. In most cases these assets are expected to be held by GLAP, but may be structured in a number of ways, including long term debt or equity.
- 1.2 Like GLAP, London Treasury Limited is a private company limited by shares which further to MD2303 and subject to completion of an ongoing share purchase will become wholly owned by the GLA (through Greater London Authority Holdings Limited). London Treasury Limited through an Investment Management Agreement carries out investment services on behalf of the GLA and other organisations to which the GLA provides treasury management services. Specifically, it enables the GLA to share investment services with London Boroughs through London Treasury Limited having the Financial Services and Markets Act 2000 (FSMA) authorisation required specifically by the London Boroughs for any entity carrying out investments services on their behalf. Part of the shared service strategy is the proposed establishment of a second collective investment scheme in addition the GLA's current Group Investment Syndicate ("GIS") and which will invest long term reserves in less liquid investments in order to obtain better value for money. Such investments are often more complex or idiosyncratic than those made within the current GIS.
- 1.3 Both GLAP and London Treasury Limited will require access to expert advice for these more complex transactions. Hence there is a need to carry out a procurement exercise to appoint around 3 Investment Advisors with the value of a 3 years contract estimated to be up to £50,000.
- 1.4 The GLA seeks to appoint a panel of Investment Advisors rather than a single provider to obtain different specialism and mitigate conflict of interest where an advisor may also originate investment ideas. TfL Commercial will be engaged to assist with this procurement exercise
- 1.5 The advisors will work with GLA officers to conduct investment due diligence prepare recommendations for the relevant Investment Committee.

2. Objectives and expected outcomes

- 2.1 The procurement exercise will allow the GLA access to a pool of Investment Advisors. The process will enable the GLA to assess, interview and select suitable Advisors with whom contracts will be agreed to ensure availability and continuity of advice from the end of July 2018 onwards for 3 years.
- 2.2 Specialist advice and due diligence support will reduce the likelihood of avoidable losses and ensure the Investment Committees have robust and complete information on which to take decisions. It is envisaged that the Investment Advisors will work closely with the Housing and Land, Financial Services and Group Treasury Teams in preparing investment cases, providing lasting knowledge transfer and professional development to the GLA.

3. Equality comments

- 3.1 Under Section 149 of the Equality Act 2010, as a public authority, the Mayor of London in the exercise of its functions must have 'due regard' of the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who have a protected characteristic and those who do not.
- 3.2 The Investment Advisory Service is a key element in providing efficient investment of the Land Fund and the GLA surplus cash which in turn underpins the GLA's finances and its ability to promote the Mayor's policies on equality, diversity and social inclusion. There are no direct equality implications arising from this Decision. The appointment of the Investment Advisors would assist the delivery of pan-London GLA regeneration initiatives, which in turn would help promote the Mayor's policies on Equality, Diversity, Inclusion, Social Mobility and Social Integration.

4. Other considerations

- 4.1 None.

5. Financial comments

- 5.1 The budget has been agreed as part of the 2% Housing and Land revenue budget (£5m), signed off by the Mayor as part of the Land Fund MD 2207.
- 5.2 Expenditure relating to assessment of transactions by LTL will be met from the Group Treasury budget.
- 5.3 Where an investment successfully proceeds, the cost of advice will be capitalised.

6. Legal Comments

- 6.1 Sections 1-2 of this report indicate that: the decisions requested of the Assistant Director concern the exercise of the GLA's general powers, falling within the GLA's statutory powers under section 30 of the Greater London Authority Act 1999 (the Act) to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of economic development and wealth creation, social development or the improvement of the environment in Greater London; and in formulating the proposals in respect of which a decision is sought officers have complied with the GLA's related statutory duties to:
- Pay due regard to the principle that there should be equality of opportunity for all people;
 - Consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
 - Consult with appropriate bodies.
- 6.2 Under section 127 of the Act the GLA has a duty to make arrangements for the proper administration of its financial affairs. Responsibility for the administration of those affairs lies with the Executive Director of Resources as the statutory chief finance officer of the Authority under section 127(2)(b) of the Act. The Assistant Director-Group Finance is authorised to carry out certain responsibilities under the TMSS delegation of authority including the appointment of the required investment advisors. The management of the GLA's treasury function and the development and

monitoring of the Treasury strategy fall within this responsibility of the chief financial officer. The GLA, the functional bodies and the London Pensions Fund Authority all participate in the GIS and wider shared treasury management services with the GLA pursuant to: (i) their investment and borrowing powers under the Local Government Act 2003; and (ii) powers under s401A of the Greater London Authority Act 1999, under which they fall within the meaning of 'relevant London authorities' which can enter into arrangements for the provision of administrative, professional or technical services or the delegation of such functions between themselves, for consideration or otherwise. As mentioned in section 1, any investment services for London Boroughs must be carried out by entities which are FSMA authorised and this is pursuant to their delegation powers under Regulation 9 of the Local Authorities (Contracting out of Investment Functions) Order 1996. This order enables the delegation of London Borough investment functions, but such delegation can only be to an FSMA authorised entity. Therefore, the Investment Advisors appointed must be appropriately authorised for the services required of them under their appointments. The proposed appointment of Investment Advisors by the GLA is services may be considered facilitative of the discharge of the section 127 duties and section 30 functions and will assist the GLA in meeting its contractual obligations in respect of the GIS and treasury management services.

- 6.3 In taking the decisions requested, the Assistant Director must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Assistant Director should have particular regard to section 4 (above) of this report.
- 6.4 Officers must ensure that the services required are procured in accordance with the GLA's Contracts and Funding Code and by TfL Commercial who will determine the procurement strategy and ensure that appropriate contract documentation is put in place and executed by the successful bidder(s) and the GLA before the commencement of the investment advisory services.

7. Planned delivery approach and next steps

Activity	Timeline
Advertise position and invitation to apply	Mid/Late -June 2018
Review applications; Shortlist and invite to interview	Early July 2018
Conduct interview; select Investment Advisors	Mid July 2018
Award and draw up contracts	End July 2018
Delivery start	End July 2018

Appendices and supporting papers:

MD2207 establishes the £250m Land Fund funded with corporate balances. MD2282 increased the programme budget for the affordable homes programme and noted the potential for strategic interventions to unlock or accelerate schemes with high levels of affordable housing.

MD1634 and 2156 refers to the expansion of shared services and MD2303 approves the acquisition by the GLA of London Treasury Limited (LTL) for the purposes of related investment management.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Note: This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:**Is the publication of Part 1 of this approval to be deferred? YES**

If YES, for what reason:

Publication of estimated budget details for the Investment Advisory Service prior to completion of the procurement exercise may impede genuine competition and the GLA's ability to secure value for money.

Until what date: September 2018

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act 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:**Drafting officer:**

Feyisayo Adekugbe has drafted this report in accordance with GLA procedures and confirms that the Finance and Legal teams have commented on this proposal as required, and this decision reflects their comments.


Corporate Investment Board:

The Corporate Investment Board reviewed this proposal on 18 June, 2018.

ASSISTANT DIRECTOR-GROUP FINANCE:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature:



Date:

20.06.18

