APPENDIX 1: TREASURY MANAGEMENT STRATEGY STATEMENT FOR 2020/21

Introduction

1. The Treasury Management Strategy Statement (TMSS) sets out the treasury management activities of the GLA (the Authority) for the year 2020-21.

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

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

3. The Code defines treasury management activities as:

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

4. This TMSS therefore takes into account the impact of the Authority's Budget, Capital Spending Plan and Balance Sheet position and covers the following areas:

   - Economic Background;
   - Borrowing Strategy;
   - Internal Borrowing Approach;
   - Policy on Borrowing in Advance of Need;
   - Debt Rescheduling;
   - Delegation / Authorisation;
   - Investment Strategy;
   - Use of External Service Providers;
   - Treasury Training;
   - Treasury Management Policy Statement (Appendix 2);
   - Minimum Revenue Provision Policy Statement (Appendix 3);
   - Prudential and Treasury Management Indicators (Appendix 4);
   - GIS Investment Strategy (Appendix 5);
   - LSR Investment Strategy (Appendix 6);
   - Treasury Management Practices: Main Principles (Appendix 7); and
   - Land Fund Investment Strategy (Part 2 to MD2615).

5. In covering the above areas, as per its Treasury Management Policy Statement, the Authority 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. Final responsibility for risk management and control resides with the Authority and cannot be delegated to any outside organisation.

6. The treasury management risks the Authority 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); and
- Legal, regulatory and fraud risk (non-compliance with statutory and regulatory requirements, risk of fraud).

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

8. The Authority formally adopts the Code through the following provisions:

   i. The Authority will create and maintain as the cornerstones for effective treasury management:

   - a Treasury Management Policy Statement stating the policies, objectives and approach to risk management of its treasury management activities; and

   - suitable Treasury Management Practices (TMPs), setting out the manner in which the Authority 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 follows the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Authority. Such amendments do not result in the Authority materially deviating from the Code's key principles.

   ii. The Mayor will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual treasury management strategy and plan (this report) in advance of the year, a mid-year review and an annual treasury report after its close, in the form prescribed in its TMPs.

   iii. The Mayor holds responsibility for the implementation and regular monitoring of its treasury management policies and practices and delegates responsibility for the execution and administration of treasury management decisions to the Executive Director of Resources. The Executive Director of Resources will act in accordance with the organisation's policy statement and TMPs and, if this officer is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

   iv. The Assembly has delegated the responsibility for ensuring effective scrutiny of the treasury management activities to the Audit Committee.

   v. Should there be a need to revise the TMSS; the Treasury Management Policy Statement; the Minimum Revenue Provision Policy Statement; the Prudential and Treasury Management Indicators; the investment strategies and the TMPs at times other than those stated above, then these updates will be submitted to the Mayor for approval. The Assembly will be consulted where there is any change to borrowing limits.

   vi. Should the Executive Director of Resources wish to depart in any material respect from the main principles of the Code, the reason should be disclosed, in advance, in a report to the Mayor.

9. The Executive Director of Resources is required to report an annual TMSS to the Mayor for approval. The Executive Director of Resources is responsible for maintaining the TMPs and monitoring and managing the strategy, with day to day management of this function delegated to the Chief Investment Officer and his/her staff.

Economic Background

10. Market volatility and forecasting uncertainty around economic growth and inflation remain dominant factors in the outlook relevant to treasury management. Post the financial crisis, monetary policy continues to be demarcated by a sustained low bank rate and high asset prices (and low yields). Consequently, investors are not getting a material return from traditional short-term cash deposits.

11. The yields have been on a declining trend in 2019 and overall borrowing rates remain low by historical standards. However, the Public Works Loan Board (PWLB) borrowing rates were significantly increased by the Government's decision to add 100bps to its spread in October. The GLA and the functional bodies will need to look to alternative sources of borrowing to secure best value for the foreseeable future.

12. UK interest rates are exceptionally difficult to forecast at the time of writing due to Brexit uncertainties (predominantly the progress of trade deals) and the growing global disruption caused by coronavirus concerns and other factors, as evidenced by the US Federal Reserve's and Bank of England's recent decisions to cut rates. Our central view is that rates will remain static or fall over the course of the financial year.

Borrowing Strategy

13. 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 cashflows available for debt repayment.

14. Whilst acknowledging the possibility that interest rates may fall further, the GLA recognises the value of budgetary certainty and notes the low cost of available borrowing by historical standards in both real and nominal terms.

15. Where possible, the GLA will focus on mitigating the risks 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.

16. Considering the greatly increased cost of PWLB borrowing, Group Treasury will devote significant efforts to building relationships with other lenders and establishing a capital markets presence that will achieve the lowest possible margin above Gilts, in pursuit of long-term access to sustainable funding.

17. Where it is likely to lead to lower interest and/or administrative cost, the GLA may borrow and make grants to a functional body instead of that functional body borrowing itself.

18. In this circumstance, the GLA will reduce the relevant functional body's share of business rates or other GLA income, to fund interest and repayment of the borrowing. This will avoid a proliferation of back to back loan agreements with the attendant cost and operational risk.

Internal Borrowing Approach

19. When using cash balances in lieu of external borrowing, the Authority acknowledges that this may reduce credit risk and short-term net financing costs, mindful of the following considerations:

    - The Authority 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

20. The Authority 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 Authority can ensure the security of such funds.

21. In determining whether borrowing will be undertaken in advance of need the Authority will:

    - ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets, are considered to be affordable and are within approved budgets;

    - 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

22. PWLB pricing policies currently impose a considerable spread between the rate of new loans and the rate used to calculate premia or discounts on early redemption. This means that there are far fewer opportunities for restructuring than was historically the case, due to prohibitively expensive premia in relation to achievable interest savings. This emphasises the importance of attempting to optimise maturity profiles at the point of entering into borrowings.

23. The GLA continues to consider the use of intergroup transactions, to offer savings on borrowing and/or risk management opportunities.

Delegation / Authorisation

24. 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 Executive Director of Resources and Chief Investment Officer, provided no decision contravenes the borrowing limits set out in the prevailing TMSS.

25. On the basis of the above, the Executive Director of Resources is:

    - authorised to approve borrowing by the Authority, for the purposes of financing capital expenditure;

    - authorised to make use of cash balances to fund internal borrowing when it is considered advantageous;

- authorised to borrow temporarily within the Authorised Limit, where this represents prudent management of the Authority'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; and

- authorised to borrow temporarily above the Authorised Limit where, and only where the amount of the increased limit represents the amount of any delayed payment which is due to the Authority 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.

Investment Strategy

26. The GLA will continue to use the highly successful pooled approach to investment through the Group Investment Syndicate (GIS), supplemented by the London Strategic Reserve (LSR).

27. Additionally, the Chief Investment Officer may, to mitigate particular risks or capture specific opportunities, with agreement from the Executive Director of Resources, cause sums to be invested independently of the GIS or the LSR, subject to identical parameters as in Appendix 5, except that there shall be no requirement to maintain a particular weighted average maturity.

28. Subject to appropriate decisions, the GLA may use treasury balances to invest on its own behalf in local projects or developments, subject to commercial returns appropriate to the relevant risks. The GLA will typically consider such investments through an appropriately constituted investment committee. The Chief Investment Officer will provide advice on the impact such decisions may have on the risk profile of the treasury portfolio as a whole. The Mayor's Land Fund is an example of this.

29. Limits for the various high-level allocations are as follows:

Investment Category	**Limits**
GIS	None
GLA 'own name' investments	No more than 10% of balances at point of investment
LSR	£300m
Land Fund (commercial strand)	• Temporary loans up to 3 months only • Maximum aggregate exposure is £250m less current book value of outstanding investments

NB - Aggregate non-specified investments (definition in Appendix 5) should not exceed 50%

Use of External Service Providers

30. The GLA's treasury management investments are managed by its subsidiary company, London Treasury Limited (LTL), which is authorised and regulated by the Financial Conduct Authority (FCA) to manage investments and provide investment advice.

31. The Authority uses Link Asset Services as its external treasury management advisor under a joint arrangement with other members of the GIS. Other professional advisors may be appointed to assist with particular projects, in particular the Mayor's Land Fund and LSR investments. The current panel comprises Institutional Investment Advisors (IIA), TradeRisks and Camdor Global Advisors.

32. Whilst recognising the specialist skills and resources advisors can provide, the Authority 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.

33. External fund managers will comply with this and subsequent treasury strategies and more detailed investment mandates prepared by the Chief Investment Officer. At the time of writing, such arrangements are already in place for the management of Residential Mortgage Backed Securities (RMBS) by 24 Asset Management and Prytania.

34. The RBS group is the GLA's banker and continues to provide a competitive service under an annual rolling contract.

35. The GLA uses State Street as the custodian of the Authority's investment instruments. 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).

Treasury Training

36. The Code requires that elected 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.

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

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

39. The training needs of officers and elected Members are reviewed annually.

40. Group Treasury, supported by Link Asset Services, maintain a regular training programme available to all senior officers and elected Members participating in the shared service and a record of the training provided is kept for future reference.

Appendix 2: Treasury Management Policy Statement

1. Policy Statement

1.1 This policy statement is in the form recommended by the CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes, Section 6.

1. The GLA defines its treasury management activities as:

   'The management of the 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. The GLA regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the GLA, and any financial instruments entered into to manage those risks.

3. The GLA 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 3: Minimum Revenue Provision (MRP) Policy Statement

MRP is the amount out of revenues set aside each year to fund capital expenditure previously financed by borrowing or credit arrangements. 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'

The elements of the GLA's policy are:

1. The natures of funding for the GLA's core Capital Financing Requirement (CFR) and that arising from major infrastructure projects, such as Crossrail and the Northern Line Extension, are distinct and require separate consideration from general corporate capital expenditure.

2. The policy for the MRP relating to the Crossrail CFR is 'equal to the excess of Business Rates Supplement (BRS) receipts over net financing and other revenue costs borne by the General Fund, including the making good of prior year BRS account deficits'.

3. The policy for the MRP relating to the Northern Line Extension (NLE) CFR is 'equal to the excess of NLE Enterprise Zone Revenues and Community Infrastructure Levies/ Section 106 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 is a prudent provision for Crossrail and NLE, since it will fully fund the liability over a period of time reasonably commensurate with the benefits of the projects. Essentially, it is an amortisation of the costs with a particularly flexible profile. Other bases would cause accounting complications, inequitable to the General Fund.

5. For the MRP element arising from the GLA's non-Crossrail and non-NLE CFR, if any, the amount shall be calculated as 'the principal amount of an annuity payment based on the outstanding non-Crossrail and non-NLE CFR at 31 March of the preceding financial year, amortised over the weighted average remaining period of benefit of the capital expenditure funded by borrowing, using the GLA's aggregate rate of interest for non-Crossrail and non-NLE loans at 31 March of the preceding financial 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, ceteris paribus and assuming parity between CFR and external debt, would ensure an equal annual total revenue impact (sum of MRP and interest payable) over the years in question.

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, then 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 Executive Director of Resources may override this exemption on the grounds of prudence, directing a provision to be made in accordance with the methodology of (5). However, the impact of such direction on the revenue account shall be accounted for as a voluntary revenue provision (VRP). Any impairment to such loans shall be treated in accordance with proper practice.

Appendix 4: 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 CIPFA has conducted a review of the Treasury Management Code of Practice and the Prudential Code. The review particularly focuses on non-treasury investments and especially on the purchase of property with a view to generating income. Such purchases could involve undertaking external borrowing to raise the cash to finance these purchases, or the use of existing cash balances. Both actions would affect treasury management.

1.3 The Prudential Code also has the objective of being consistent with and supporting local strategic planning, local asset management planning and proper option appraisal.

1.4 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; and
- Treasury Management.

1.4 To ensure compliance with the Prudential Code in relation to the above elements, the Authority is required to set and monitor a number of Prudential Indicators. The setting of these Prudential Indicators is a circular rather than a linear process. For example, the level of external debt will follow on from the Authority's capital plans, revenue forecasts and treasury management strategy. However, if initial estimates would result in outcomes that would not be affordable or prudent, then plans for capital and/or revenue are reconsidered.

1.5 Prudential Indicators and Treasury Management Limits must be approved by the Authority and any subsequent changes to these Indicators and Limits must also be approved by the Authority.

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 under the approved capital spending plan is a key driver of Treasury Management activity.

2.1.2 All capital expenditure is included, not just that covered by borrowing.

Capital Expenditure £m	2019-20 Forecast Outturn	2020-21 Estimate	2021-22 Estimate	2022-23 Estimate
GLA	2,112.00	1,713.00	1,123.50	933.50
Total Capital Expenditure	**2,112.00**	**1,713.00**	**1,123.50**	**933.50**

2.1.3 The table below shows how the above capital expenditure plans are being funded by capital or revenue resources. Any shortfall of funding resources results in a borrowing need.

Financing of capital expenditure £m	2019-20 Forecast Outturn	2020-21 Estimate	2021-22 Estimate	2022-23 Estimate
Capital grants	684.10	1,109.00	944.00	873.20
Capital Receipts	55.10	184.50	18.20	18.90
Capital Reserves				
Revenue Contributions	200.50	189.50	101.90	12.90
Total financing	**939.70**	**1,483.00**	**1,064.10**	**905.00**
Net financing need for the year	1,172.30	230.00	59.40	28.50
Total Capital Expenditure	**2,112.00**	**1,713.00**	**1,123.50**	**933.50**

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 of this over the aggregate useful life of the assets in question.

2.2.3 The Mayor is asked to approve the CFR projections below:

Capital Financing Requirement (CFR) (£m)	2018-19 Actual	2019-20 Forecast Outturn	2020-21 Estimate	2021-22 Estimate	2022-23 Estimate
Total CFR	4,242.69	5,190.29	5,203.59	5,028.99	4,813.49
Movement in CFR	442.26	947.60	13.30	- 174.60	-215.50

Movement in CFR represented by					
Net financing need for the year (above)	644.37	1,172.30	230.00	59.40	28.50
Less MRP/VRP and other financing movements	-202.12	- 224.70	- 216.70	- 234.00	-244.00
Movement in CFR	442.25	947.60	13.30	- 174.60	-215.50

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 - Group

GLA	2020-21 Proposed £m	2021-22 Proposed £m	2022-23 Proposed £m
Borrowing	6,100.00	6,100.00	6,100.00
Other long-term liabilities			
Total	6,100.00	6,100.00	6,100.00

MOPAC	2020-21 Proposed £m	2021-22 Proposed £m	2022-23 Proposed £m
Borrowing	1,151.10	1,361.60	1,546.40
Other long-term liabilities	64.90	58.40	52.20
Total	1,216.00	1,420.00	1,598.60

LFC	2020-21 Proposed £m	2021-22 Proposed £m	2022-23 Proposed £m
Borrowing	155.00	175.00	175.00
Other long-term liabilities	70.00	70.00	70.00
Total	225.00	245.00	245.00

TfL	2020-21 Proposed £m	2021-22 Proposed £m	2022-23 Proposed £m
Borrowing	14,029.30	14,529.30	15,029.30
Other long-term liabilities	415.80	389.30	363.10
Total	14,445.10	14,918.60	15,392.40

LLDC	2020-21 Proposed £m	2021-22 Proposed £m	2022-23 Proposed £m
Borrowing	520.00	520.00	520.00
Other long-term liabilities			
Total	520.00	520.00	520.00

GLA Group	2020-21 Proposed £m	2021-22 Proposed £m	2022-23 Proposed £m
Borrowing	21,955.40	22,685.90	23,370.70
Other long-term liabilities	550.70	517.70	485.30
Total	**22,506.10**	**23,203.60**	**23,856.00**

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 a prudent level of borrowing required to meet capital expenditure and maintain sufficient liquidity.

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 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 – Group

GLA	2020-21 Proposed £m	2021-22 Proposed £m	2022-23 Proposed £m
Borrowing	5,700.00	5,700.00	5,700.00
Other long-term liabilities			
Total	5,700.00	5,700.00	5,700.00

MOPAC	2020-21 Proposed £m	2021-22 Proposed £m	2022-23 Proposed £m
Borrowing	1,026.10	1,236.60	1,421.40
Other long-term liabilities	64.90	58.40	52.20
Total	1,091.00	1,295.00	1,473.60

LFC	2020-21 Proposed £m	2021-22 Proposed £m	2022-23 Proposed £m
Borrowing	150.00	170.00	170.00
Other long-term liabilities	70.00	70.00	70.00
Total	220.00	240.00	240.00

TfL	2020-21 Proposed £m	2021-22 Proposed £m	2022-23 Proposed £m
Borrowing	13,164.30	13,608.30	14,039.30
Other long-term liabilities	600.90	510.80	510.80
Total	13,765.20	14,119.10	14,550.10

LLDC	2020-21 Proposed £m	2021-22 Proposed £m	2022-23 Proposed £m
Borrowing	520.00	520.00	520.00
Other long-term liabilities			

Total	520.00	520.00	520.00

GLA Group	2020-21 Proposed £m	2021-22 Proposed £m	2022-23 Proposed £m
Borrowing	20,560.40	21,234.90	21,850.70
Other long-term liabilities	735.80	639.20	633.00
Total	**21,296.20**	**21,874.10**	**22,483.70**

3.3 From 2020-21, the GLA Group, as part of the local government sector, will be required to adopt a new international financial reporting standard (IFRS 16) for leasing. The assets and liabilities of all significant leases of over 12 months will be recognised on the balance sheet. To ensure compliance with IFRS 16, the operational and authorised borrowing limits will increase from the levels shown in the above tables. Updated borrowing limits will be published separately, once a detailed data gathering exercise has been completed, during the 2020-21 financial year

3.4 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.

Gross Debt and the Capital Financing Requirement	2018-19 Actual £m	2019-20 Projected £m	2020-21 Estimate £m	2021-22 Estimate £m	2022-23 Estimate £m
Gross Debt at 31 March	4,255.12	5,258.90	5,393.90	5,112.80	4,794.30
Capital Financing Requirement	4,242.69	5,190.29	5,203.59	5,028.99	4,813.49

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

Gross debts exceed CFR due to the ringfenced character of the Business Rates Supplement (BRS) and Northern Line Extension (NLE) element of the GLA borrowing. The MRP policy (Appendix 3) requires MRP for BRS and NLE to be calculated as the excess of receipts over net financing and other revenue costs borne by the General Fund. BRS receipts have exceeded the original forecasts used to profile the borrowing, leading to cumulative MRP (which reduces the CFR) exceeding actual debt repayment for a period of time.

4.0 Affordability Prudential Indicators

4.1 Ratio of Financing Costs to Net Revenue Stream

4.1.1 This indicator compares the total principal and net interest payments on external debt to the overall revenue spending of the authority (not including amounts paid to functional bodies from group funding sources such as retained business rates).

Financing Costs to Net Revenue Stream	2019-20 Projected %	2020-21 Estimate %	2021-22 Estimate %	2022-23 Estimate %
Total	22.29	26.74	20.33	19.51

These ratios indicate the significance of debt service to GLA's spending and the need for extremely prudent management of the relevant risks.

4.2 Interest cover ratio

Given the scaling of financing costs involved in the Crossrail borrowing and NLE borrowing, the financing arrangements for these two projects included the requirement that the GLA will always hold the cash required to cover six months' worth of interest payable.

5.0 Treasury Management Prudential Indicator

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

5.2 The Authority 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, such as in a LOBO loan, the maturity date will be deemed to be the next call date.

Limits for Maturity Structure of Borrowing for 2019-20	Upper Limit %	Lower Limit %
Under 12 months	10	0
12 months and within 24 months	15	0
24 months and within 5 years	30	0
5 years and within 10 years	45	10
10 years and above	100	20

6.2 Limits for Principal Sums Invested for Periods Longer 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 the Authority'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 indictor the Local Authority 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 365 days		
	2020/21 £m	2021/22 £m	2022/23 £m
Principal sums invested 365 days	550.00	550.00	550.00

6.2.3 This limit does not apply to externally managed funds or to pooled monies within GIS, providing the weighted average maturity of investments does not exceed 3 months. It reflects the existing commitments to the Land Fund and LSR.

London Treasury

Dated: 1st April 2020

GIS INVESTMENT STRATEGY 2020-21

GREATER LONDON AUTHORITY

and

LONDON FIRE COMMISSIONER

and

LONDON LEGACY DEVELOPMENT CORPORATION

and

MAYOR'S OFFICE FOR POLICING AND CRIME

and

LONDON PENSIONS FUND AUTHORITY

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Notes:

The Group Investment Syndicate (**GIS**) is a contractual arrangement for investing collectively between local authorities. It is a jointly controlled operation of jointly controlled assets. Participating authorities, (**the Participants**) exercise control through a committee of their nominated representatives (**the Syndics**) who set this strategy and exercise certain decisions set out herein.

Day to day implementation of the strategy (i.e. making investment decisions and monitoring the portfolio) is carried out by London Treasury Limited (**the Manager**) and/or external managers acting on the Manager's instructions.

The jointly controlled assets are held in the name of the Greater London Authority (**GLA**) which is also the contracting party for the Manager. The GLA is responsible for coordinating the daily investment requirements of the Participants and instructing the Manager to either invest or realise the relevant sum. All payments are handled by the GLA and transactions are recorded by the GLA's appointed custodian.

The Manager reports on performance in the first instance, with this being verified by the GLA.
The GLA is responsible for maintaining records of each Participant's percentage ownership of GIS assets. The custodian reports on compliance with the strategy daily to the GLA (shared simultaneously with Manager and the Participants); the GLA additionally holds responsibility for monitoring these reports and notifying the Syndics in the circumstances set our below.

The Manager must consult the Syndics when exercising certain discretions or responses to exceptions to the strategy; it is the Manager's responsibility to collect and record the Syndics' views.

Limits and Compliance

1.0 **All limits, unless explicitly stated otherwise, refer to the composition of the daily balance of the GIS**; for compliance purposes, all limits will be assessed daily.

2.0 The making of any investment which causes a breach of limits is not permitted and constitutes an **active exception.**

3.0 **Active exceptions of any size will be reported immediately** upon identification by the GLA (or the Manager if the Manager is aware first), to the Manager, Syndics and their nominated substitutes. Relevant committees or boards will be notified as specified in each Participant's TMSS.

4.0 Additionally, daily limits may be exceeded due to changes in the GIS balance or the credit assessment of existing investments, including the credit status of the country of domicile. Such an occurrence constitutes a **passive exception**. Passive exceptions will be monitored by the GLA and the Manager shall notify the GLA if Manager becomes aware of such an exception before the GLA. Subsequent reporting will be threshold-based, as follows:

Passive Exception Level (lower of)	Temporary: ≤ 3 consecutive days	Persistent: >3 days
<5% or £25m	Logged and reported quarterly to Syndics within 1 month of quarter end	Logged and reported quarterly to Syndics within 1 month of quarter end
5-10% or £50m	Logged and reported quarterly to Syndics within 1 month of quarter end	Reported to Syndics immediately
>10% or £50m	Reported to Syndics immediately	Reported to Syndics immediately

The percentage limits above apply to total daily balance of the GIS or the total number of days in the case of limits expressed as days.

5.0 Mitigating actions for exceptions will in the first instance be taken at the discretion of the Manager. Such decisions must be supported by an analysis of the costs and benefits of attempting to reduce the overexposure in question versus tolerating it. In all cases a file note of the decision will be retained and circulated to the Syndics. A majority of the Syndics may instruct alternative action, provided such action consistent with this strategy and applicable statutory guidance.

Risk Appetite Statement

6.0 Capital preservation is the primary GIS objective at the portfolio level, followed by provision of liquidity to meet Participants' cash flow needs.

7.0 In order to deliver best value on public funds, the Participants are prepared to take some investment risk to the extent outlined below, where such risk is rewarded by yields above UK government securities held to maturity.

8.0 The risk of loss through default in the entire portfolio (or any subsection delegated to an external manager) should not exceed risk of loss through default equivalent to a 1-year exposure to a typical AA-rated issuer.

9.0 No individual instrument/investment should pose a greater risk of loss through default than a 90-day exposure to a typical BBB issuer.

10.0 The Participants will tolerate price volatility where there is an expectation of holding an investment to maturity; where the expectation is that sale before maturity is likely or where the investment is in a variable NAV fund, the combined risk of loss through default and crystallised falls in price should not exceed the risk tolerance specified in 8.0.

11.0 This strategy sets out risk controls and limits that, in the opinion of the Participants, deliver these objectives.

12.0 Alternative controls and limits, save for the overarching requirements of 13.0 – 15.0 and 18.0 – 19.0 may be used by external managers appointed in accordance with 16.0, if those limits are judged by the Syndics, on the advice of the Manager or other independent professional advice, to be appropriately effective.

Permissible Investments

13.0 All investments must be Sterling-denominated financial instruments.

14.0 Specified Investments (i.e. 'low risk' instruments as defined by Statutory Guidance) shall constitute at least 50% of the portfolio at any time.

15.0 Approved Specified (S) and non-Specified (NS) Investments:

Investment type	Eligibility criteria	≤ 1 year to maturity at time of investment	> 1 year to maturity at time of investment	Maximum total exposure as a proportion of daily balance
Senior Unsecured Debt • UK Gilts and T-Bills • Deposits • Call Accounts • Notice Accounts • Certificates of Deposit • Loans • Commercial Paper • All other senior unsecured bonds	Issuer (and security where separately rated) Investment Grade (IG) defined per 36.0 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 32.0.	S	NS	100%
Money Market Funds	Fitch AAA_{mmf} or above See 36.0 for equivalents from other agencies. Daily liquidity	S	*N/A*	100% *Not more than 20% per fund*

Investment type	Eligibility criteria	≤ 1 year to maturity at time of investment	> 1 year to maturity at time of investment	Maximum total exposure as a proportion of daily balance
Other Collective Investment Schemes structured as Open Ended Investment Companies (**OEICs**)	Fitch AAA_f or equivalent from other agencies per 36.0.	NS	*Not permitted.*	20%
Senior UK Prime or Buy to Let **Residential Mortgage Backed Securities** (RMBS)	Bond rating Fitch $AA+_{sf}$ or above or equivalent from other agencies per 36.0.	NS	NS	20%
Covered bonds	Bond rating Fitch $AA+_{sf}$ or equivalent from other agencies per 36.0 AND Issuer rated Fitch A- or above or equivalent from other agencies per 36.0	NS	NS	20%
Repurchase Agreements (Repo)	Counterparty meets senior unsecured criteria AND proposed collateral (Min 100%) itself meets permitted investment criteria Or Collateralisation is >102% with UK Gilts / T-Bills	S – UK gilts or T-Bills AND Counterparty meets senior unsecured criteria NS – other	*Not permitted.*	S – 100% NS – 20%, and not more than 10% with counterparties not meeting senior unsecured criteria.

16.0 The Manager may delegate the management of a portion, not exceeding the forecast minimum GIS balance for the next 12 months, of the GIS to external fund managers with majority consent of the Syndics.

Liquidity and Maturity Limits

17.0 Portfolio Weighted Average Maturity (WAM) ≤ 91days, calculated to the nearest whole day.

[Maturity here refers to the final expected maturity or if relevant the first call option of the instrument; in the case of funds the maturity will be the redemption period; in the case of call or notice accounts, the notice period; in the case of RMBS investments maturity refers to the next interest reset, rather than either the legal maturity or expected final maturity.]

18.0 Sub-portfolio (managed by an external manager) WAM ≤ 3years.

Individual maturity limit, internally managed instruments: ≤ 2 years.

[In the exceptional event of the internal team taking possession of repo collateral, e.g. gilts that exceed this limit, the expectation is that these will be sold at the earliest opportunity, subject to market conditions.]

19.0 Individual maturity limit, externally managed instruments: ≤ 5 years.

[Note – in the case of RMBS these limits apply to the date by which all principal is expected to be received, based on analysis of the underlying mortgage pool and indicated call dates – the legal maturity date, based on the longest dated mortgage in the relevant pool, is not limited given the extremely low probability of the bond failing to be repaid by that time;

In the case of covered bonds, these limits apply to the expected maturity date, which may not include the exercise of the extension option.]

20.0 Limit for total exposure >12months: ≤25% of total daily balance.

21.0 Forward Dealing limit: aggregate value of outstanding forward deals ≤20% of daily balance. See also 42.0 for credit risk management of forward deals.

[The GIS defines 'forward' as negotiated more than 4 banking days in advance of delivery. The Manager may make exceptions to this limit where the counterparty is a GIS Participant and the forward period is less than 3 months.]

22.0 Internally managed investments should only be made where GIS cash flow forecasts or best estimates suggest the instrument may be held to maturity. Externally managed investments may be purchased with lower certainty subject to the provisions of 10.0.

Counterparty Concentration Limits

(Apply individually and cumulatively to groups)

23.0 The total exposure to a group of companies (a parent company and any subsidiaries, i.e. companies of which it owns 20% or more of authorised share capital) shall not exceed the maximum individual exposure limit of the constituents of the group.

24.0 Maximum unsecured exposure to company or group: ≤5% (subject to enhancements below).

25.0 Enhanced limits apply for UK Government (including the Debt Management Account Deposit Facility, Local Authorities and bodies eligible for PWLB finance) and institutions covered by Link Asset Services' Colour Banding Methodology:

Cash Exposure Limits – applied to individual counterparties		
Band	**Overnight**	**> 1 day**
UK Sovereign	100%	100%
Yellow	50%	25%
Purple	50%	20%
Orange	25%	15%
Red	25%	10%
Green	10%	5%
No Colour	5%	5%

26.0 The Bands above are calculated based on a range of credit ratings data, including published rating Watches and Outlooks. Where the price of 5-year Credit Default Swaps for a given counterparty exceeds barrier levels proposed by Link Asset Services with regard to market history, the Band will normally be adjusted downwards. The Manager may postpone such adjustments in consultation with the Syndics, for instance, if it is felt that changes in CDS prices do not reflect an increase in the individual credit risk of a particular counterparty.

27.0 Additionally, an enhanced overnight limit of 100% applies to the GLA banker, RBS.

28.0 Local authority investments are evaluated using the qualifying questions set out in the PWLB lending arrangements (Circular 160). This primarily relates to a Local authority's affordable borrowing limit and lawful use of funds. The Manager will also consider reputational risks to the participants that may arise from being creditors of an organisation in financial distress, even where this presents no material credit risk.

29.0 If, in the judgement of the Manager, the structure of a bond associated with a local authority is such that the credit risk is not identical to a bilateral loan with that authority, the rating of the bond itself will be used and the 5% limit will apply.

30.0 Maximum aggregate exposure including indirect or collateralised exposures:

Security Type	Cumulative Enhancement
Non-specified Repo	2.5%
Covered Bond	5%
RMBS	7.5%
Specified Repo	10%

[These enhancements are cumulative so the maximum possible total enhancement is 10% above is the counterparty's senior unsecured limit.]

Geo-political risk limits

31.0 The GIS will seek to reduce exposure to geo-political impact on credit risk by investing in companies that operate in stable economies. In particular, the GIS recognises a particular linkage between countries' national finances and their banking sectors, and considers sovereign credit ratings to be related to national financial stability.

32.0 Maximum exposures to non-UK financial institutions apply by country, based on the relevant sovereign ratings outlined in the table below:

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

33.0 Where more than one rating is available the lowest common denominator will be used, unless in the opinion of the Manager there is an overriding reason to favour or disregard a particular agency's view. The use of this discretion will be reported in the following weekly report to the Syndics.

34.0 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 the Manager. A written copy of the assessment of each such counterparty and/or instrument will be filed with the investment and shared with the Syndics at the next quarterly review meeting.

35.0 The Manager may decline to place an investment and may indefinitely suspend any counterparty or group of counterparties on the basis of geo-political risk considerations, howsoever arising. Such use of discretion will be reviewed at weekly team meetings and where restrictions are imposed or subsequently withdrawn, this will be shared with the Syndics as part of weekly reporting.

Credit Risk Limits

36.0 Permitted issuer credit ratings and equivalence mappings.

Senior Unsecured Bond and/or Issuer 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)

Money Market Fund Ratings		
Fitch	**Moody's**	**S&P**
AAA$_{mmf}$	Aaa-mf	AAAm

Other Permitted Fund Ratings		
Fitch	**Moody's**	**S&P**
AAA$_{f}$	Aaa-bf	AAAf

37.0 Where more than one rating is available the lowest common denominator will be used, unless in the opinion of the Manager there is an overriding reason to favour or disregard one particular agency's view. The use of this discretion will be reported immediately to the Syndics.

38.0 For internally managed investments Credit Factors will also be calculated individually and Portfolio Credit Factor (PCF) on a book value weighted average basis with reference to the following tables:

Credit Factors based on 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

Other treatments	
UK Government (including the Debt Management Account Deposit Facility, Local Authorities and bodies eligible for PWLB finance)	Treat as AAA above Except: If, in the judgement of the Manager, the structure of a bond associated with a local authority is such that the credit risk is not identical to a bilateral loan with that authority, the rating of the bond itself will be used
Instruments explicitly guaranteed by IG entity or sovereign national government meeting acceptable sovereign ratings per 32.0.	Use Credit Factors appropriate to guarantor strictly for the period of the guarantee, reverting to rating of issuer thereafter
Repo	Use Credit Factors appropriate to repo counterparty, not collateral; Unrated or sub-BBB counterparty with >102% Gilt/T-bill collateralisation – treat as BBB
Approved fund, e.g. AAA_f or AAA_{mmf}	Use Credit Factor of 1.5
Covered Bonds or RMBS	Use Credit Factor of 5

39.0 Where a counterparty's (or its country of domicile's) 5-year CDS spreads exceed barrier levels from time to time agreed by the Syndics on the advice of Link Asset Services or the Manager, the Credit Factor used for the PCF calculation will be from the factor set of one or more notches below the issuer or security rating (e.g. If a AA+ counterparty's CDS spread exceeds the first barrier level, AA factors will be used to calculate the PCF).

40.0 The following limits apply at all times:

- Maximum Credit Factor of any single security: 10.00
- Maximum PCF: 5.00

41.0 The PCF will be calculated and recorded daily.

42.0 The total contractual exposure of any transaction with counterparty, i.e. in the case of a forward deal, the forward period PLUS the eventual length of the deal should be considered at the time of the transaction and compared to table 38.0 – the Credit Factor for the total exposure period at the counterparty's credit rating at the time of the deal must not exceed 10.

Deposit Facility of Last Resort

43.0 In the circumstance of being unable to place funds with counterparties within approved limits, the Investment Manager will attempt to place the surplus funds with the Debt Management Account Deposit Facility (DMADF). This facility may, of course, also be used in other circumstances if it offers rates above equivalent market levels, though in past experience this is unlikely.

44.0 In the instance of technical failures or unexpected monies being received after the daily cut-off time (13:00) for settlement, the GLA will have no choice but to leave the funds with the GLA's bankers, RBS. In such circumstances, the funds will remain in the GLA's bank account until the following business day.

Custody Arrangements

45.0 Internally or externally managed securities may be held by a Custodian; in such circumstances:

a. The Custodian or any Sub-Custodian employed by the Custodian (whichever actually holds the GIS securities) must be Fitch A- rated or equivalent;
b. Any cash held by the Custodian or any Sub-Custodian pending transactions must be properly identified as an unsecured deposit and consolidated into the PCF calculation;
c. The Custodian or any Sub-Custodian shall not be entitled to invest such cash in any money market fund or other product without the permission of the Manager. Any such investment must meet the criteria of 15.0.

46.0 The above applies to any Custodian or Sub Custodian holding collateral on behalf of the GIS in respect of a Repo transaction. Note – 'Held in Custody' Repos where collateral is held at the borrower's custodian in the borrower's title are NOT permitted.

Manager Discretions

47.0 The Manager may restrict the use of any counterparty for any reason related to the management of risk, including reputational risk to any Participant. Such restrictions may be overturned by any majority of Syndics.

48.0 When postponing CDS-driven adjustments to exposure limits, the Manager will notify the Syndics of the decision immediately. Syndics will have until 12pm to register concerns otherwise the decision will be implemented for that day. Any majority of Syndics may reverse the decision subsequently.

Responsible Investment

49.0 All investment will be made in accordance with the following policy with respect to fossil fuel companies:

GLA Group Responsible Investment Statement on Climate Change

The Greater London Authority is committed to a number of principles which guide their investment decisions. The Greater London Authority will consider non-financial factors when investing, such as alignment of the activities of investment counterparties with Mayoral policy on environmental and social impact, providing no compromise of fiduciary duty arises from such considerations.

Regarding climate change in particular, the Authority will not actively invest in companies or projects ("fossil fuel companies" and "fossil fuel projects") that derive more than 10% of revenues from the extraction of fossil fuels, ignore the impact and risks associated with the use of fossil fuels, and are unable to demonstrate a commitment to achieving environmental benefits, in particular through a plan to limit climate change in line with the Paris Agreement:

http://unfccc.int/paris_agreement/items/9485.php

The Authority notes a distinction between Natural Gas, which will continue to play a valuable role out to 2030, both for heating and for electricity generation, and other fossil fuels; nevertheless, the Authority would expect a demonstrable commitment to achieving environmental benefits from companies involved in gas extraction.

In order to assess the level of commitment to achieving environmental benefits, the Authority will make use of the Transition Pathway Initiative, as adopted by a range of leading institutional investors:

http://www.lse.ac.uk/GranthamInstitute/tpi/about/

Where such investments are already in place, and opportunities for engagement and reform of the company or project do not exist, the Authority will make all reasonable efforts to divest provided that this will result in no material financial detriment (either through cost or increased investment risk).

The Authority views divestment and avoidance of any long term financial exposure to such companies or projects as entirely consistent with its fiduciary duty to protect and obtain best value from public funds. This is also consistent with the Mayor of London's climate change goals and commitment to ensuring that optimum low carbon investment decisions are taken, to help to maximise social and economic benefits.

To explain these statements concisely the Authority makes the following definitions, with examples of application:

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

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

"environmental benefits" – means reducing net carbon emissions over time;

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

"ignoring the impact and risks associated with fossil fuels" – means continuing or developing new business activities contributing to climate change through fossil fuel emissions or environmental damage resulting from relevant fuel extraction without regard to development of new and sustainable alternatives or other transition planning towards a lower environmental impact;

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

Examples of application:

- Making a loan to a fossil fuel company in order fund expansion of conventional extraction activities would meet the definition of investment for these purposes; making a loan to a fossil fuel company to develop an alternative technology would not.
- Purchasing a fossil fuel company bond, from another bond holder would not meet the definition as it does not lead to ownership or engagement, nor provide new financial assistance to the company. Participating in the purchase of newly issued long term bonds may or may not classify as investment depending on the proposed use of proceeds.
- Commercial Paper or other debt instruments with less than a year to maturity would not constitute investment in this context as there is no associated ownership or engagement, nor do the longer-term risks associated with exposure to unsustainable industries (which this strategy seeks to mitigate) apply over the life of such instruments.
- Directly purchasing equity in a fossil fuel company would constitute an active investment.

- Buying units in an exchange-traded tracker fund, where the index is known to contain fossil fuel companies may or may not constitute an active investment. It would be active if the intent was for the allocation to be a permanent part of the investment portfolio *and* the composition of the index was weighted more than 10% towards fossil fuel companies; it would not if the purchase was made to maintain broad market exposure, for instance during a transition between active portfolios. In any circumstance, the Authority seeks to influence the composition of the market (reflected in passive investments) through its own active decisions and those of likeminded partners.
- Circumstances involving conglomerates with a mixture of subsidiaries, some of which may meet the fossil fuels company definition (whereas others may, for example, be focused on renewable energy), would be considered on a case-by-case basis, with investment being possible if the overall corporate strategy appears to be environmentally sustainable and offset the financial risks this statement seeks to mitigate.

Explanatory Notes

Background to the GIS Investment Strategy

i. The GIS is a vehicle for investing pooled short-term cash balances for the GLA and partner organisations.
ii. By pooling resources, the participants can achieve economies of scale through larger individual transactions; can exploit the greater stability of pooled cash flows to obtain better returns and can achieve greater levels of diversification.
iii. A risk sharing agreement ensures risk and reward relating to each investment within the jointly controlled portfolio are shared in direct proportion to each participant's daily investment.
iv. The Manager operates the GIS cash balances in accordance with the GIS Investment Strategy.

4.0

i. Reporting thresholds are capped at £25m and £50m, these limits are conservative based on the expected scale of the GIS – based on the GIS composition as at 1 January 2020, the absolute exposure reporting thresholds for each participant would be:

£m	25	50
GLA	21.8	43.6
LFC	0.8	1.6
MOPAC	1.0	2.1
LPFA	1.0	2.0
LLDC	0.3	0.7

15.0

i. The concept of "Specified" and "Non–Specified" Investments is defined in the DCLG Guidance on Local Government Investments (revised 2010).

Specified Investments

ii. An investment is a Specified investment if all of the following apply:

a) The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling;
b) The investment is not a long-term investment (i.e. due or required to be repaid within 12 months);
c) The making of the investment is not defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 3146 as amended) (i.e. the investment is not share capital in a body corporate);
d) The investment is made with a body or in an investment scheme of high credit quality (defined by the minimum credit ratings outlined in table15.0) or with one of the following public-sector bodies:

- The United Kingdom Government
- A local authority in England or Wales (as defined in section 23 of the 2003 Local Government Act) or a similar body in Scotland or Northern Ireland
- A parish council or community

<u>Non-Specified Investments</u>

iii. Non-Specified Investments are defined as investments assessed by the GIS Participants to be appropriate and prudent, but not meeting the Specified Investments criteria.

iv. Reflecting increased market risk and difficulties in diversifying, this strategy includes the highly secure option of UK Residential Mortgage Backed Securities, which provides a genuine diversification away from institutional credit risk and additional options for secured lending, enabling limits to be increased with existing counterparties in exchange for security of some sort of asset in the event of the borrower becoming insolvent.

v. RMBS

- Only senior RMBS are permitted at this stage, i.e. the GIS has first priority over the cash flows from the underlying pools of thousands of diversified UK residential prime or buy-to-let mortgages. These to date have always been

AAA rated at inception with some isolated cases of downgrades to AA+ due to lower ratings of associated counterparties within the RMBS structure such as the bank servicing the mortgages, rather than the underlying mortgages, reflecting the increased risk of possible payment disruption should the servicing bank fail (though no increased risk of non-payment). The strategy does not exclude these downgraded senior notes as the risk of loss is still very low but it should be noted that changes to RMBS structures since 2008 make this circumstance very unlikely in future.

- The cash flows from RMBS are generated by both interest and principal repayments of the mortgages in the relevant pool. In particular, when homeowners refinance (or move house) the pool experiences principal inflows, which are then passed through to the RMBS bondholders (which the most senior tranches, proposed here, receive before all others). Refinancing typically occurs much earlier than the final date of the mortgage, therefore it is not proposed to limit the legal maturity of RMBS, as these are set with reference to the longest dated mortgage in the pool and do not reflect the expected maturity date. In addition, RMBS deals are structured with financial penalties for the issuer beyond the expected maturity date, to ensure that deals mature as expected.

- The strong cash flow characteristics of senior RMBS mean that principal is repaid incrementally, therefore a proposed WAM limit of 3 years per security for the whole RMBS portfolio is proposed alongside a 5 year expected final maturity limit per security.

vi. Covered Bonds

- Covered bonds are also secured on mortgage assets, but do not depend on mortgages for the cash flows. They are more like a normal bond issued by the relevant bank or building society except that should the issuer default, the covered bond holders will have security over the banks' mortgage assets, which could be sold to another bank to meet the obligation.

- Whilst the credit risk is clearly lower than unsecured lending to the issuer, the situation is different to RMBS and when the issuer is downgraded, covered bonds are typically downgraded too. Accordingly, the strategy does not permit the use of covered bonds issued by counterparties who do not themselves meet approved investment criteria.

- Another feature of covered bonds are extension clauses, typically of 2 years. For this reason, the strategy only permits the use of counterparties of A- rating or above to allow for downgrades over the extension period, should it be invoked.

- Because they are lower risk than unsecured lending to a given counterparty, covered bond yields are generally lower. Accordingly, the main circumstance in which they would be used in the current environment is to increase exposure to a strong and well understood counterparty already at its unsecured concentration limit.

vii. Repurchase Agreements "Repos"

- Repos are a form of secured lending whereby rather than lend directly to a counterparty, the GIS would buy from them a security e.g. a bond and agree to sell it back at an agreed (higher) price at a future date. The profit on this transaction replaces interest in a normal lending agreement but there is the additional feature that if the borrower becomes insolvent, the GIS may keep the security, which is referred to as collateral.

- For this reason, only securities that meet GIS criteria may be accepted as collateral, however the duration limits of 19.0and 18.0 do not apply since the expectation is that the collateral will be disposed of at the first opportunity and over-collateralisation provides mitigation for any price movement.

- Furthermore, if such a default occurred, the GIS may need to sell the collateral for cash flow reasons so there may be some price risk between the default and the sale. Therefore, minimum levels of collateral, expressed as a percentage of the market value of collateral relative to the purchase price, are proposed.

- The strategy permits very limited repo exposure (2.5% and 10% in aggregate) to counterparties not meeting unsecured investment criteria. In this case, minimum collateral is set at 102% (in line with minimum standards for repo use by AAA rated money market funds) and the provision is designed to enable transactions with pension funds engaged in liability hedging activities, to mutual advantage.

- There are a number of ways to implement a repo. This is delegated to officers and their advisors or external managers, however per 46.0, legal title to the collateral must be unequivocally obtained and safe custody arrangements be in place.

- Repos will provide a further tool for balancing GIS risk and return: the risk is very much lower than unsecured lending to banks and others, although not as low as T-bills, however repo returns are slightly higher than T-Bills and there is more flexibility with maturity dates.

18.0

i. For the purposes of this limit, WAM is the sum of each expected nominal cashflow and its respective expected incidence in days from the calculation date, divided by the total nominal cashflows; the use of expectations rather than contractual maturities reflects the use of instruments like RMBS which are subject to uncertain repayments. The Syndics place reliance on the systems and investment process of appointed managers to monitor and implement this limit.

26.0

i. Credit Default Swaps (CDS) are effectively insurance contracts against a given counterparty defaulting; their price (typically expressed as an additional interest cost or 'spread' in basis points – i.e. 100ths of one percent). Higher prices may therefore reflect greater market perception of risk, although other supply and demand factors can distort this, including the activity of speculators. For this reason, the Manager has discretion to propose postponements to the impact of CDS data on limits.

ii. Although the GIS typically participates in short term investments, it refers to 5-year CDS prices as this market has higher volumes of trading and therefore more accurately reflects market sentiment.

iii. The GIS's advisor and data provider, Link Asset Services, proposes barrier levels dependent on market conditions as indicated by one of the main CDS indices, ITRAXX 5-year senior financials.

iv. When the ITRAXX is below 100 basis points, a counterparty's limit band will be adjusted down one notch if their CDS price is between 100 and 150 or to 'no colour' if above 150.

v. When the ITRAXX is above 100, a counterparty's limit band will be adjusted down one notch if their CDS price is up to 50 basis points above the ITRAXX or to 'no colour' if more than 50 basis points above.

38.0

i. Book value weighted average here means the sum of the products of principal sums invested (plus any capitalised interest, less any impairments or partial repayments but excluding any accrued interest or unrealised gains or losses) and the respective Credit Factors at the date of calculation, divided by the sum of principal sums invested (plus any capitalised interest, less any impairments or partial repayments but excluding any accrued interest or unrealised gains or losses).

Approved by Signatories:

MARTIN CLARKE

Syndic, GLA

Date: ....

SUE BUDDEN

Syndic, LFC

Date: ....

GERRY MURPHY

Syndic, LLDC

Date: ....

PETER LEWIS

Syndic, MOPAC

Date: ....

MORENIKE AJAYI

Syndic, LPFA

Date: ....

Appendix 6 - LSR Investment Strategy

1. The objectives of the LSR are to:

- Preserve capital by ensuring that overall expected returns more than offset any reasonably foreseeable crystallised loss arising from individual investments of the portfolio over a rolling 5-year period;
- Achieve returns between 1-2% in excess of inflation (CPI) on a rolling 5-year basis in order to preserve spending power of long-term reserves;
- Harness the benefits of pooling to create less volatile cash balances, in turn allowing superior returns to be achieved through making less liquid investments;
- Use the specialist resources of LTL together with the GLA's panel of investment advisors to access investments requiring more complex consideration and due diligence than currently undertaken in order to access new opportunities and superior risk adjusted returns; and
- Engage in collaborative lending within London to reduce net financing costs across the capital.

2. LSR Strategic asset allocation:

Liquidity	Volatility	Asset Class	Expected Yield	Target Allocation	Range
High	Low	Senior RMBS	1.00-2.00%	30.0%	25-100%
Medium	Low	Investment funds; with contractual liquidity	2.00-6.00%	30.0%	20-40%
N/a	Medium	Alternative investments; No contractual liquidity.	6.00-12.00%	30.0%	10-40%
N/a	High	Local Authority long term loans	1.00-3.00%	10.0%	0-20%
High	Low	Cash	0.80%	0%	0-35%
		Expected Portfolio Average	**3.90%**	**100.0%**	

3. The strategy balances illiquid positions, which come with some risk, with a large allocation to the highly liquid and exceptionally secure RMBS portfolio. In between these liquidity extremes sits an allocation to funds with contractual liquidity allowing withdrawals with notice of between one day and 6 months. The approach provides some flexibility should an individual participating authority's situation change, leading to a requirement for that participant to withdraw funds. Additionally, the proposed allocation seeks to minimise exposure to notional gains and losses from market movements by avoiding assets with high price volatility.

4. The inclusion of alternative investments is to enable higher returns to be achieved within agreed risk parameters. These will typically take much more detailed consideration than the investments the GLA makes on a day to day basis, and therefore the allocation will be built up gradually, with regard to specialist advice where appropriate. It is not expected that initial investments will include housing or property given the GLA's existing exposure to the risks of those markets, however this will be kept under constant review.

5. Longer term loans to local authorities are included as a potential means to ensure the cost and benefit associated with such borrowing remain within London rather than be transferred to central government or private lenders. The GLA views such loans as providing extremely low risk

at a better return than government bonds. However, the allocation is limited to reflect the fact that at present absolute rates are too low to match the inflation beating objective, and despite the very low risk of default, the valuation of these loans changes significantly in response to interest rates, potentially giving rise to large, albeit temporary, and unrealised losses. Loans will be made on commercial principles but where situations of equal commercial merit arise, priority will be given to borrowing supporting projects with cross-Borough or wider regeneration benefits.

6. Any investment structure is permitted within the LSR provided it is denominated in Sterling and does not constitute capital expenditure under relevant regulations. However, once the portfolio is well diversified and held within a suitable fund structure, investments may be included which would on a stand-alone basis, be categorised as capital expenditure.

7. Investments will be considered by the LTL investment committee ('IC') and the IC will always include the LTL board and at least one GLA co-optee. Additional Borough representatives or independent members may be co-opted at the discretion of the LTL board. The current Committee Members are:

   - Luke Webster, Director, LTL
   - Ian Williams, Director, LTL
   - David Gallie, GLA co-optee
   - Jonathan Ord, independent co-optee (Investment Director at LPPI)

8. Prior to committing funds, the IC will recommend investments to the Chief Finance Officers of participating authorities, a majority of whom can veto any investment.

Appendix 7: Treasury Management Practices: Main Principles

1.0 INTRODUCTION

1.1 The Treasury Management Practices (TMPs): Main Principles below set out the manner in which the Authority will seek to achieve its Treasury policies and objectives. These Principles follow the wording recommended by the latest edition of the CIPFA Treasury Management Code

1.2 TMPs: Main Principles are supported by TMPs: Schedules, which provide specific details of the systems and routines employed and the records to be maintained to deliver the TMPs: Main Principles. These Schedules are maintained and updated as necessary, being operational procedures and forming an integral part of the Authority's treasury management manual.

1.3 Approval and monitoring of TMPs is a matter for local decision. As such the TMPs: Main Principles will be approved by the Authority and monitored by the Executive Director of Resources and annually reviewed by the Authority before the start of the year.

1.4 TMPs: Schedules will be approved, monitored and reviewed by the Executive Director of Resources.

2.0 TMP1 RISK MANAGEMENT

2.1 General statement

2.1.1 The Executive Director of Resources will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, report at least annually on the adequacy/suitability thereof, and report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Authority's objectives in this respect. Reporting will be delivered in accordance with the procedures set out in TMP6 'Reporting requirements and management information arrangements'.

2.1.2 In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the TMPs: Schedules.

2.2 Credit and counterparty risk management

2.2.1 The Executive Director of Resources regards a key objective of the Authority's treasury management activities to be the security of the principal sums it invests. Accordingly, he/she 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 TMPs: Schedules. The Executive Director of Resources also recognises the need to have and maintain a formal counterparty policy in respect of those organisations from which the Authority may borrow, or with whom it may enter into other financing arrangements.

2.3 Liquidity risk management

2.3.1 The Executive Director of Resources will ensure the Authority 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 achieve its business /service objectives.

2.3.2 The Executive Director of Resources 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.

2.4 Interest rate risk management

2.4.1 The Executive Director of Resources will manage Authority 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 Executive Director of Resources will achieve this by the prudent use of Authority 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.

2.5 Exchange rate risk management

2.5.1 The Executive Director of Resources will manage any exposure to fluctuations in exchange rates to minimise any detrimental impact on the budgeted income/expenditure levels.

2.6 Refinancing risk management

2.6.1 The Executive Director of Resources will ensure that the Authority's borrowing, any private financing and partnership arrangements are negotiated, structured and documented. The maturity profile of the monies so raised are managed with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Authority as can reasonably be achieved in the light of prevailing market conditions.

2.6.2 The Executive Director of Resources will actively manage the Authority'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.

2.7 Legal and regulatory risk management

2.7.1 The Executive Director of Resources will ensure that all Authority treasury management activities comply with statutory powers and regulatory requirements. He/she will demonstrate such compliance, if required to do so, to all parties with whom the Authority deals in such activities. In framing its credit and counterparty policy under TMP1 'credit and counterparty risk management', he/she will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions that they may effect with the Authority, particularly with regard to duty of care and fees charged.

2.7.2 The Executive Director of Resources recognises that future legislative or regulatory changes may impact on treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Authority.

2.8 Fraud, error and corruption, and contingency management

2.8.1 The Executive Director of Resources will ensure that he/she has identified the circumstances which may expose the Authority to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, he/she will maintain effective contingency management arrangements, to these ends.

2.9 Market risk management

2.9.1 The Executive Director of Resources will seek to ensure that the Authority's stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect the Authority from the effects of such fluctuations.

3.0 TMP2 PERFORMANCE MEASUREMENT

3.1 The Executive Director of Resources is committed to the pursuit of value for money in the Authority's treasury management activities, and to the use of performance measurement in support of that aim, according to methodology determined from time to time by the Executive Director of Resources.

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.

4.0 TMP3 DECISION-MAKING AND ANALYSIS

4.1 The Executive Director of Resources will maintain full records of Authority 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 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 Executive Director of Resources will undertake Authority 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'.

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

6.1 The Executive Director of Resources considers it essential, for the purposes of the effective control and monitoring of the Authority'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 at all times a clarity of treasury management responsibilities.

6.2 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.

6.3 If and when the Authority intends, as a result of lack of resources or other circumstances, to depart from these principles, the Executive Director of Resources 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 Executive Director of Resources 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 Executive Director of Resources will also ensure that at all times those engaged in treasury management will follow the policies and procedures.

6.5 The Executive Director of Resources will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

6.6 The delegations to the Executive Director of Resources in respect of treasury management are set out in the TMSS. The Executive Director of Resources will fulfil all such responsibilities in accordance with the Authority'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 Executive Director of Resources will ensure that regular reports are prepared and considered on the implementation of Authority treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

7.2 As a minimum:

The Mayor 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.

8.0 TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

8.1 The Executive Director of Resources will prepare, and the Authority 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 Executive Director of Resources 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 Executive Director of Resources will account for the Authority's treasury management activities, for 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.

9.0 TMP8 CASH AND CASH FLOW MANAGEMENT

9.1 Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this Authority will be under the control of the Executive Director of Resources 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 Executive Director of Resources will ensure that these are adequate for the purposes of monitoring compliance with TMP1 (2.3) 'Liquidity risk management'.

10.0 TMP9 MONEY LAUNDERING

10.1 The Executive Director of Resources is alert to the possibility that the Authority 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 Executive Director of Resources 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. He/she 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 Executive Director of Resources will recommend and implement the necessary arrangements.

11.2 The Executive Director of Resources will ensure that elected 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.

12.0 TMP11 USE OF EXTERNAL SERVICE PROVIDERS

12.1 The Authority recognises that responsibility for the treasury management decisions always remains with the Authority. 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, 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 arrangements rests with the Executive Director of Resources.

13.0 TMP12 CORPORATE GOVERNANCE

13.1 The Authority 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 This Authority has adopted and implemented the key principles of the TM Code. This is considered vital to the achievement of proper corporate governance in treasury management, and the Executive Director of Resources will monitor and, if and when necessary, report upon the effectiveness of these arrangements.