GREATER**LONDON**AUTHORITY

REQUEST FOR MAYORAL DECISION MD2615

Title: Treasury Management Strategy Statement 2020-21 and the Mayor's Land Fund

Executive Summary:

This decision form sets out the GLA's Treasury Management Strategy Statement (TMSS) for 2020-21, providing an overview and control framework for the borrowing and investment activities of the GLA, including shared service delivery.

The proposed investment strategies for the GLA's three main investment pools, the Group Investment Syndicate (GIS) for short term-funds, the London Strategic Reserve (LSR) and the Mayor's Land Fund are set out for approval alongside the framework for allocating funds to each.

It has been prepared in accordance with the Treasury Management in the Public Services Code of Practice (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and relevant legislation.

It also provides an update on the progress of collaborative working with the London Boroughs of Harrow and Hackney and the Royal Borough of Kensington and Chelsea.

Decisions:

That the Mayor approves the:

1) Treasury Management Strategy Statement for 2020-21 (Appendix 1)
2) Treasury Management Policy Statement (Appendix 2)
3) Minimum Revenue Provision Policy Statement (Appendix 3)
4) Prudential and Treasury Management Indicators including Group Borrowing Limits (Appendix 4)
5) GIS Investment Strategy (Appendix 5)
6) LSR Investment Strategy (Appendix 6)
7) Treasury Management Practices: Main Principles (Appendix 7)
8) Land Fund Investment Strategy (Part 2 and in the body of this decision form).

That the Mayor authorises the statutory chief finance officers of the GLA and the functional bodies to agree arrangements for the GLA to borrow and make grants to a functional body instead of that functional body borrowing itself, as set out in the body of this decision form.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:

Date: 18/3/20

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

Decision required – supporting report

1 Introduction and background

1.1 Group Treasury (the service unit reporting to the Chief Investment Officer) is responsible for providing strategic advice on and subsequently managing the GLA's borrowings, 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 and the paramount objective of preserving capital.

1.2 Effective treasury management is central to the GLA's financial standing, given the multi-billion pound scale of operational cash flows, assets and liabilities. The ongoing delivery of finance for major capital projects such as Crossrail, the Northern Line Extension (NLE) and housing and regeneration investment programmes means that the cost of debt service is the GLA's largest single item of revenue expenditure and its greatest source of financial risk, alongside business rates volatility.

1.3 The GLA, through shared service arrangements, undertakes treasury management functions for the:

- London Fire Commissioner (LFC);
- Mayor's Office for Policing and Crime (MOPAC);
- London Legacy Development Corporation (LLDC);
- London Pensions Fund Authority (LPFA); and
- Old Oak and Park Royal Development Corporation (OPDC).

1.4 The GLA expects the London Borough of Harrow to join the shared service from around April 2020. Several other boroughs are in similar discussions. The conclusion of agreements relating to such treasury shared service arrangements with the boroughs is delegated to the Executive Director of Resources and Chief of Staff under MD2095.

1.5 Investment of short-term funds is managed collectively through the Group Investment Syndicate (GIS), an arrangement which has proved extremely successful for delivering greater liquidity and performance than would have been achievable by the participating organisations acting individually.

1.6 The GLA has also established a longer-term collective investment arrangement, the London Strategic Reserve (LSR), with the GLA currently being the sole investor. Subject to the establishment of relevant contractual documentation, LSR will be restructured as a limited partnership with the GLA, the London Borough of Hackney and the Royal Borough of Kensington and Chelsea as founding limited partners (see MD2616). The GLA has currently allocated £300m to LSR.

1.7 The GLA has also allocated £250m of its working capital to the Mayor's Land Fund, ("the commercial strand" of the Land Fund) to be invested in a commercial manner, alongside £486m of non-recoverable grant from the Ministry of Housing, Communities and Local Government (MHCLG), which can be invested with less stringent risk and return parameters, in pursuit of accelerating housing, including affordable housing, delivery.

1.8 In October 2019, HM Treasury increased the cost of borrowing from the Public Works Loan Board (PWLB) by 1%. Borrowing from this source could add a significant financial burden to the GLA and the functional bodies, given anticipated capital spending. The proposed TMSS therefore permits the GLA to borrow and make grants to a functional body instead of that functional body borrowing itself where this is likely to create a group saving.

2 Objectives and expected outcomes

TMSS and prudential and treasury management indicators

2.1 Appendix 1 and Appendix 4 provide a strategic framework to achieve the following prudent objectives:

Borrowing:

- proposed levels of borrowing are sustainable and affordable;
- the expected costs are well-matched to the relevant revenue streams to maximise budgetary certainty;
- financing is readily available when required for major capital expenditure; and
- the most economical sources of borrowing for a given situation are identified and made use of GLA Group-wide.

Investments:

- public funds are not lost or placed in jeopardy;
- cash is available when required for essential expenditure; and
- returns are maximised, so far as the above constraints allow, to offset the impact of inflation on the spending power of public funds held by the GLA.

Effective balance sheet management:

- a sustainable and prudent balance is struck between the use of cash balances in lieu of external borrowing and any potential risks of refinancing; and
- opportunities for intragroup borrowing/investment transactions are identified in order to reduce risks and/or costs.

2.2 The Mayor sets the borrowing limits for the GLA and the functional bodies, on the advice of the respective statutory chief finance officers, at levels agreed to be prudent and affordable. In light of the changes to the PWLB rates, and the considerable expense and complexity that surround alternative borrowing frameworks, such as the GLA's and TfL's existing capital markets programmes, where it is likely that a net saving may arise and mindful of preserving the GLA's credit rating, the GLA may borrow and make grants to a functional body instead of that functional body borrowing itself.

2.3 The GLA's position as the principal recipient of business rates, grants and precepts means it has stronger credit metrics than the functional bodies. Furthermore, the bond market is familiar with the GLA. This means it would be difficult for the functional bodies, other than TfL, to be able to achieve equally favourable pricing as the GLA would obtain from investors.

2.4 In the case of the functional bodies LFC and MOPAC, and where there will be no net impact on group borrowing levels, the Mayor authorises the Executive Director of Resources to agree such borrowing arrangements with the statutory chief finance officers of those authorities. The GLA would borrow, use the proceeds to make a capital grant to the functional body and reduce the functional body's share of business rates or other GLA-controlled funding accordingly to repay the debt over time.

2.5 At the point of binding agreement, the recipient functional body's authorised limit will be deemed to be reduced by the amount paid over by the GLA, while the GLA's authorised limit will be increased by the same amount. A separate MD will record the revised limits at the earliest opportunity, though it is recognised this may be retrospective in order to preserve market agility. The Chief Investment Officer and Executive Director of Resources will consult the Chief of Staff prior to executing any transaction.

Minimum Revenue Provision (MRP) policy statement

2.6 Where capital expenditure is due to be funded by future revenues, this provides a means to match those costs to the period over which the relevant benefits are enjoyed in a way that is equitable to taxpayers, e.g. avoiding the risk of taxpayers in a particular period disproportionately bearing the cost of benefits enjoyed previously or subsequently.

2.7 From a cash flow perspective, the MRP policy (Appendix 3) also ensures that a prudent amount of cash is available for the repayment of borrowings.

Treasury management policy statement and treasury management practices

2.8 Appendix 2 and Appendix 7 set out the high-level objectives for the control and performance management of the treasury function.

Shared service and London Treasury Limited

2.9 Additional treasury shared service participants provide further resources to increase service resilience and dilute fixed costs while allowing the GLA to share a centre of excellence to the collective benefit of Greater London. Treasury management links are also additive to strategic relationships with London boroughs in respect of infrastructure and regeneration.

2.10 London boroughs can also join LSR as co-investors without being in the wider treasury shared service arrangements. This provides valuable scale and dilution of running costs to LSR while establishing relationships that may develop into wider collaborative arrangements.

2.11 The GLA now delivers investment management through a wholly owned subsidiary, London Treasury Limited (LTL), authorised and regulated by the Financial Conduct Authority (FCA). Since boroughs only have powers to delegate investment functions to authorised firms, this is an essential feature of the Group Treasury structure.

2.12 LTL may appoint up to three directors. Currently, there are two: the GLA's Chief Investment Officer as the managing director and Ian Williams (Group Director, Finance and Corporate Resources at the London Borough of Hackney) as a non-executive director.

2.13 With the prospect of London boroughs participating in the GIS and LSR, the latter of which requires LTL to request further permissions from the FCA, LTL's role becomes more significant. In consultation with the Executive Director of Resources and the Chief of Staff, the Board of LTL will therefore begin a process of recruiting an additional non-executive director to bolster governance and resilience. The new role will be funded by existing treasury budgets, paid pursuant to the GLA's investment management agreement with LTL.

GIS investment strategy

2.14 The GIS is Group Treasury's liquidity solution for the GLA and others within the treasury shared service. It is managed by LTL in a similar fashion to a commercial money market fund. Participants can deposit and withdraw funds daily, which restricts investments to highly secure, short-dated instruments with low price volatility. Accordingly, returns are low in absolute terms. Nevertheless, the GIS has significantly outperformed average market deposit rates, money market funds and bond funds of similar durations.

2.15 Through the effects of pooling, the GIS has provided Group Treasury with both greater and more stable minimum balances than would generally have been the case for individual participants. This has provided increased opportunity for longer term investments providing greater yields without significantly greater risk. The overall increase in balances has provided greater bargaining power in respect of instant access and notice accounts with banks, allowing the GIS to maintain yields for the shortest dated investments. By investing in a mix of overnight and longer dated products, the GIS has maintained a weighted average maturity (WAM) below three months, while maintaining excellent overnight liquidity.

2.16 The participants have been able to maintain or reduce individual expenditure on treasury management while funding a function able to operate a more sophisticated strategy than would be feasible individually.

2.17 The GIS continues to outperform its benchmark of 3-Month LIBID, i.e. the rate at which banks and other large organisations typically lent to each other for three months. As at 6 February 2020, the GIS has outperformed by 0.29% on an annualised basis since inception.

2.18 The net cash flow managed by LTL continues to be dominated by the GLA. The introduction of a range of new organisations with different cash flow profiles has had a positive impact on relevant stability of balances, which together with scale advantages has been positive for the risk and return outcomes for all concerned.

2.19 The GIS is currently the largest short-term lender to other UK local authorities. Following central government decisions to increase the cost of local government borrowing from the PWLB, this opportunity has increased, allowing the GIS to sustain outperformance while reducing investment risk and providing valuable liquidity to the wider local authority sector.

2.20 The GIS investment strategy is set out in Appendix 5. This is substantively the same as in previous years with language amended to reflect the fact that LTL now takes all operational investment decisions.

2.21 The two technical changes to note are:

- that the investment duration of floating rate Residential Mortgage Backed Securities (RMBS) to be used in WAM calculations is the time to the next interest reset date rather than the expected final maturity of the instrument. A WAM limit serves to manage both interest rate and liquidity risk. The proposed approach most accurately reflects interest rate risk, and since the investments have proven very liquid and in any case are restricted to 20% of the portfolio, it seems reasonable to prioritise this; and

- clarification that where a limit is expressed to a given level of significance, the parameters in question should be understood as being rounded accordingly, e.g. if a limit is expressed as 91 days, a calculation result of 91.2 days (91 days, to the same level of significance) would not be a breach, but 91.5 days (92 days, to the same level of significance) would be.

2.22 The GLA has itself invested successfully in RMBS since 2016, earning over £3m of additional return above GIS levels. Having built consensus amongst other participants, LTL will now make use of the 20% permitted RMBS allocation within the GIS, from 1 April 2020. This is expected to enhance returns further, without detriment to liquidity and with a significant improvement in risk profile by diversifying credit risk away from financial institutions.

2.23 The GLA and the other GIS participants collectively control a significant sum of money, much of which is lent to banks and other financial institutions; this provides the potential for influence with those investment counterparties. As part of a wider review of the group responsible investment strategy in early 2020/21, the GLA is currently exploring options to strengthen its existing climate policy in light of the climate emergency, including how best to engage with financial institutions based on best practice. The current strategy focusses on the GIS and will be expanded to LSR and the Land Fund, where there is more opportunity to directly invest in projects or companies which have positive impact on climate change.

LSR investment strategy

2.24 The GLA and London boroughs collectively have very stable cash balances, even if these are volatile on an individual level. LSR was created to pool some of these core balances in order to take advantage of a longer investment time horizon, in order to deliver returns that offset the impact of inflation on the cash in question. Where the fund can be deployed to support projects in London that have desirable impact alongside risk-adjusted returns, this will be considered. There is also scope for LSR to lend to individual boroughs or related authorities, such as waste authorities.

2.25 The LSR investment strategy proposed for 2020-21 is attached at Appendix 6. There is a reduction proposed for the target allocation to senior RMBS from 60% to 30%. This reflects the implications of 2.22, the latest discussions with potential joining partners and the GLA and LTL's market experience over the past year. The aim is not to change materially the risk and return balance of LSR.

2.26 The earlier strategy made use of existing GLA investments, with senior RMBS as a low risk, low return strategy balanced by higher return, higher risk funds. Since the last revision of the strategy, LTL has identified various attractive opportunities towards the middle of the permitted risk and return spectrum. Reducing the RMBS target allocation provides some additional flexibility and opportunity for diversification, without detriment to overall risk or return.

2.27 MD2616 sets out proposals to create a partnership fund structure around LSR to accommodate new entrants. The partnership will be managed by LTL and the GLA will retain a veto on individual investments, to be exercised by the Executive Director of Resources. The investment strategy for the partnership is likely to be revised on conclusion of negotiations with the other founding partners and under that MD the Mayor authorises the Executive Director of Resources to approve such investment strategy on behalf of the GLA, on the advice of the Chief Investment Officer, provided the final target allocations and ranges remain in the ranges set out in Appendix 6. On establishment of the partnership, all existing LSR investments will be transferred to it from the GLA.

Land Fund investment strategy

2.28 The commercial strand of the Mayor's Land Fund was established by MD2207. Like LSR, it is an initiative to use the GLA's substantial working capital to achieve better outcomes, in this instance an impact on housing delivery that would be additive to budgeted spending. Notwithstanding the specific housing policy intent, the aim is that the fund should be operated on a commercial basis, to protect future budgets from losses and achieve appropriate returns on the GLA's treasury management balances.

2.29 The Land Fund investments made on a commercial basis are made through GLA Land and Property Limited (GLAP). The commercial strand investments are to be financed by GLAP's current and forecast cash receipts. The fund is envisaged to revolve until the underlying cash is required.

2.30 Where there is a mismatch between the profile of investment and GLAP's cash resources, Group Treasury (via LTL) will provide GLAP with short-term deposits from the GLA. These balances would otherwise be invested in the GIS. LTL will set the rates of such deposits at the prevailing GIS average rate, reflecting the GLA's opportunity cost on a commercial basis.

2.31 MD2207 established a robust governance structure for the £250m portfolio with a Land Fund Investment Committee (LFIC) composed of the Deputy Mayor for Housing and Residential Development, senior officers from the Housing and Land Directorate and independent members, with the Chief Investment Officer representing the GLA's corporate financial interest.

2.32 Following a Memorandum of Understanding between the GLA and the Ministry of Housing, Communities and Local Government (MHCLG), the GLA obtained £486m of funding to support the unlocking and acceleration of housing delivery with priority given to projects likely to generate a return that will enable the funding to revolve. This is set out in MD2396. Where this money is deployed though GLAP, the LFIC governance structure is also used to provide oversight and consistency. These allocations may not meet the risk and return criteria of the commercial strand but nevertheless deliver desirable strategic outcomes.

2.33 LFIC currently agrees an integrated investment strategy covering both the commercial and strategic strands. This is set out for approval in Part 2 of this decision, covering:

- Strategic housing and development objectives;
- Land Fund investment parameters;
- Communication with external partners;
- New approaches to delivery;
- Governance;
- Commercial approach;
- Appointment of property and investment advisors; and
- Financial metrics for the commercial strand.

A redacted version of the Land Fund investment strategy will be published in due course.

2.34 At an individual project level, there can be a tension between affordable housing levels and risk/return, with higher affordable housing percentages generally leading to higher levels of investment risk, or alternatively, lower returns relative to risk taken.

2.35 This creates challenges for deploying the £250m strand, for which capital preservation remains a central objective. Given the nature of property investment, it would be surprising if none of the individual investments failed to perform. Therefore, returns on the successful projects must be optimised to offset such events and allow the portfolio to meet the overall return target.

2.36 The most effective way to deliver a greater number of affordable homes while preserving a commercially acceptable balance of risk and return is to increase the scale of investment.

2.37 The GLA is aware of other institutional investors seeking to invest in housing projects that deliver compelling commercial returns while delivering social benefits. One example is the London Fund being set up by the LPFA and the London CIV (a vehicle which pools London boroughs' pension fund assets).

2.38 Creating an appropriate fund structure surrounding the commercial strand would enable the fund to attract appropriate, like-minded co-investors and increase the fund scale beyond £250m, leveraging the impact of the GLA's investment and delivering more affordable homes overall.

2.39 Although £250m is well within a prudent estimate of long term expected working capital, medium- or long-term investment of this nature does have an impact on liquidity. A further advantage of a fund structure is that were an unforeseen spending priority to arise, the GLA may have an option to realise cash before the underlying investments mature, by selling or redeeming its interest in the fund. This is analogous to the approach being taken for LSR.

2.40 This decision endorses a strategy of positioning the commercial strand investments to attract co-investors, while at a project level always meeting or exceeding affordable housing planning conditions. Approval to investigate the necessary structure is discussed in MD2616.

3 Equality comments

3.1 Under section 149 of the Equality Act 2010, as a public authority, the Mayor of London must have 'due regard' of the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who have a protected characteristic and those who do not.

3.2 The "Equality Comments" contained in MD2207 and MD2396 in respect of the Mayor's Land Fund also apply to this Mayoral Decision.

4 Other considerations

Key risks and issues

4.1 The primary objective of the TMSS is to create a framework for the management of risks associated with borrowing, investment and cash flow management; the discussion of financial risk is therefore integrated throughout the document.

4.2 There are no new risks arising from the latest version of the Land Fund investment strategy.

Links to Mayoral strategies and priorities

4.3 Secure funding and liquidity are essential to every aspect of delivering Mayoral strategies and priorities.

4.4 Collaborative working and shared services as a route to shared best practice, efficiency and service resilience is a core Mayoral objective.

4.5 The Mayor's Land Fund links directly to the Mayor's Housing Strategy which sets out a policy rationale for the GLA to take a more interventionist approach in London's land market; with the aim of ensuring more homes are built, increasing the proportion of affordable homes, accelerating the speed of building and capturing value uplift for the public benefit.

Consultations and impact assessments

4.6 The Assembly has been consulted in respect of group borrowing limits through the Mayor's GLA Group Budget for 2020/21.

4.7 The Assembly's GLA Oversight Committee was consulted on 3 September 2019 in respect of London boroughs joining the treasury management shared service.

4.8 The elements of this MD relating to Housing and Land were drafted in consultation with relevant senior officers. The Land Fund Investment Committee was consulted.

4.9 There is no data protection impact.

Declarations of interest

4.10 The Chief Investment Officer is also a director of LTL which delivers most investment aspects of this decision under an investment management agreement between the GLA and LTL. This is mitigated by LTL's not for profit nature and the high level of transparency and control by the GLA of the LTL's remit and budget.

5 Financial comments

5.1 Financial implications are integral to the report.

6 Legal comments

6.1 Part 1 of the Local Government Act 2003 (2003 Act) introduced a new statutory regime to regulate the borrowing and capital expenditure of local authorities. Section 23(1)(d) and (e) provides that the Greater London Authority (GLA) and the functional bodies are local authorities for this purpose.

6.2 Section 3(1) of the 2003 Act provides that all local authorities are to determine and keep under review how much money they can borrow. Section 3(2) of the 2003 Act is more specific in relation to the Mayor and functional bodies by providing that the determination is to be made by the Mayor following consultation with the Assembly, in the case of the GLA, as well as the relevant functional body. As a result, borrowing limits could be changed in-year, as well as at the start of financial years. Under section 1 of the 2003 Act, the GLA and the functional bodies may borrow money for any purpose relevant to their functions under any enactment or for the purposes of the prudent management of their financial affairs. In discharging their functions under Part 1 of the 2003 Act, the GLA and the functional bodies must have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (as re-issued from time to time).

6.3 In relation to the potential borrowing by the GLA of amounts which it will in turn make available to functional bodies by grant, the GLA also has the function (and so a purpose for which it can borrow under section 1 of the 2003 Act) under sections 120 and 121 of the Greater London Authority Act 1999 (GLA Act) of making capital and revenue grants to functional bodies.

6.4 The Assembly must be consulted before any new affordable borrowing limit is determined by the Mayor. In the event that the proposals for the borrowing by the GLA and the ensuing grants to the relevant functional bodies will involve any increase in the affordable borrowing limit determined for the GLA or the functional bodies involved, this will be subject to any required consultation approach agreed with the Assembly.

6.5 In accordance with section 102 of the GLA Act, it is the duty of the GLA to distribute out of the funds received by it from certain sources (including a share of locally retained business rates) such amounts as are required by each of the functional bodies, to meet their respective budget requirement for a particular year. Under section 85(5) of the GLA Act, as part of the GLA budget process, the GLA estimates a functional body's funding requirement taking into account its sources of income and calculates its component council tax requirement. In the event that the GLA is funding a section 120 and/or 121 grant to a functional body through borrowing (pursuant to its power to do so under section 1 of the 2003 Act), the GLA will simply adjust the amount it is providing under section 102 grant to the relevant functional body.

6.6 Under section 12 of the 2003 Act the GLA, functional bodies and London boroughs as local authorities may invest for the purposes of the prudent management of their financial affairs.

6.7 Under section 127 of the GLA Act, the Authority has a duty to make arrangements for the proper administration of its affairs. Responsibility for the administration of those affairs lies with the Executive Director of Resources as the statutory chief finance officer of the Authority under section 127(2)(b) of the Act. The management of the Authority's treasury function and the development and monitoring of the treasury strategy fall within this responsibility of the chief financial officer.

6.8 Section 401A(2) of the GLA Act, as amended, permits a shared service arrangement, by providing that any 'relevant London authority' (as defined in the GLA Act 1999) may enter into arrangements for the provision of administrative, professional or technical services by any one or more of them to any one or more of them, whether for consideration or otherwise. This enables the GLA, the functional bodies and the LPFA to delegate the professional, technical and administrative functions involved in treasury management to the GLA and for them all to jointly participate in the GIS and LSR under their common powers to borrow and invest for the prudential management of their financial affairs.

6.9 Although London boroughs are not covered by section 401A, they and the GLA are local authorities for the purposes of the Local Authorities (Goods and Services) Act 1970. As a result, the GLA may provide the same professional, technical and administrative functions involved in treasury management to boroughs, who also share the same investment and borrowing powers.

6.10 However, the Local Authorities (Contracting Out of Investment Functions) Order 1996 requires that local authorities may only contract with a Financial Services and Markets Act 2000 authorised firm in respect of certain investment functions. The GLA's authorised and regulated subsidiary, LTL, may provide those functions that the GLA itself may not. LTL will therefore manage investments into the GIS and LSR, including on behalf of the GLA and London boroughs.

Funding from the Mayor's Land Fund

6.11 "Investments" made using the Mayor's Land Fund are funding allocations made from that Fund in accordance with the Land Fund investment strategy. By virtue of section 30(1) of the GLA Act, the Mayor is empowered to make such funding allocations where he considers to do so will further one or more of the "principal purposes" of the GLA of (i) promoting economic development and wealth creation in Greater London; (ii) promoting social development in Greater London; and (iii) promoting the improvement of the environment in Greater London ("the General Power").

6.12 In determining whether or how to exercise the General Power, the Mayor must:

- have regard to the effect that his decision will have on the health of persons in Greater London, health inequalities between persons living in Greater London, the achievement of sustainable development in the United Kingdom and climate change and its consequences (sections 30(3-5)) of the GLA Act;

- pay due regard to the principle that there should be equality of opportunity for all people (section 33 of the GLA Act); and

- have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010).

6.13 The Mayor's power to provide funding under section 30 of the GLA Act is, in most circumstances, likely to be the most appropriate power to make funding allocations from the Mayor's Land Fund, given that the dominant purpose of such funding is likely to be for the GLA's principal purposes. However, section 30 of the GLA Act is subject to section 31 of the GLA Act, which restricts the Mayor's power to use the General Power to incur expenditure in doing things that may be done by Transport for London, the Mayor's Office for Policing and Crime and the London Fire Commissioner, or which are being done by a Mayoral Development Corporation. Legal advice should therefore be sought on proposed funding allocations using the General Power in circumstances where the restriction in section 31 of the GLA Act may be engaged.

6.14 The Mayor's power to provide funding under section 30 of the GLA Act is also subject to section 34A of the GLA Act (and the Greater London Authority (Specified Activities Order) 2013/973), which provides that the GLA (acting by the Mayor) may only do the following if it does so through a subsidiary company, which is subject to corporation tax:

- manage and exploit land (which includes acquiring, disposing, developing, and holding land)
- on a commercial basis with a view to realising a profit, in connection with its housing, regeneration or economic development functions

6.15 The GLA's subsidiary company for these purposes is GLA Land and Property Limited (GLAP).

6.16 Where any funding provided in accordance with the Land Fund investment strategy does not fall within section 34A of the GLA Act (and is not therefore required to be undertaken through a subsidiary company (GLAP)), the Mayor may nonetheless elect to provide such funding through GLAP where, in the circumstances, this is considered the most effective way of furthering one or more of the GLA's principal purposes concerned.

6.17 Separate to the General Power, the GLA has the power to invest for any purpose relevant to its functions under any enactment (section 12 of the Local Government Act 2003); including to invest for any purpose relevant to its power in section 30(1) of the GLA Act. Any use of this power of investment must comply with statutory guidance issued under section 15 of the 2003 Act.

7 Planned delivery approach and next steps

7.1 The TMSS will be implemented with immediate effect from 1st April 2020.

7.2 Expanded treasury shared service and collective investment arrangements are expected to be in place by 30 June 2020.

Appendices and supporting papers:

Appendices

Treasury Management Strategy Statement for 2020-21 (Appendix 1)
Treasury Management Policy Statement (Appendix 2)
Minimum Revenue Provision Policy Statement (Appendix 3)
Prudential and Treasury Management Indicators including Group Borrowing Limits (Appendix 4)
GIS Investment Strategy (Appendix 5)
LSR Investment Strategy (Appendix 6)
Treasury Management Practices: Main Principles (Appendix 7)

Supporting Papers

Mayor's GLA Group Budget for 2020-21
MD2616 Investment Structures and Subsidiaries
MD2207 Homes for Londoners Land Fund
MD2396 Land Assembly, Small Sites and Accelerated Construction Funds

Public access to information

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

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note**: This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 - Deferral

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

Part 2 – Sensitive information

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

Is there a Part 2 form – YES

ORIGINATING OFFICER DECLARATION:	Drafting officer to confirm the following (✓)
Drafting officer: Luke Webster has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.	✓
Sponsoring Director: Martin Clarke has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.	✓
Mayoral Adviser: David Bellamy has been consulted about the proposal and agrees the recommendations.	✓
Advice: The Finance and Legal teams have commented on this proposal.	✓
Corporate Investment Board This decision was agreed by the Corporate Investment Board on 16 March 2020	

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature M. D. Clle **Date** 16. 3. 20

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature D. Bellamy **Date** 17/3/2020.