

## MD2975 Appendix 1: Treasury Management Strategy Statement for 2022-23

### 1 Introduction

- 1.1 The Treasury Management Strategy Statement (TMSS) sets out the treasury management activities of the GLA (the Authority) for the year 2022-23.
- 1.2 This TMSS has been prepared with regard to the following legislation and guidance:
- The Local Government Act 2003;
  - 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 for Capital Finance in Local Authorities and associated Guidance Notes;
  - The Department for Levelling Up, Housing and Communities (DLUHC) Capital Finance: Guidance on Local Government Investments; and
  - The DLUHC Capital Finance: Guidance on Minimum Revenue Provision.
- 1.3 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.’
- 1.4 This TMSS therefore takes into account 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 (MRP) Policy Statement (Appendix 3);
  - Prudential and Treasury Management Indicators (Appendix 4);
  - Investment Strategy (Appendix 5); and
  - Treasury Management Practices: Main Principles (Appendix 6).
- 1.5 In covering the above areas, as per its Treasury Management Policy Statement, the Authority regards the successful identification, monitoring and control of risks 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.

1.6 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 risk (impact of debt maturing in future years); and
- Legal, regulatory and fraud risk (non-compliance with statutory and regulatory requirements, risk of fraud).

1.7 These risks are further discussed in Appendix 6 (Treasury Management Practices: Main Principles).

1.8 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 proposed policy statement and TMPs follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendments 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 Authority'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 Panel.

- v. Should there be a need to revise the Treasury Management Strategy Statement; the Treasury Management Policy Statement; the Minimum Revenue Provision Policy Statement; the Prudential Code Indicators and Treasury Management Limits; the Investment Strategy and the Treasury Management Practices at times other than those stated above, then these updates will be submitted to the Mayor for approval. The Assembly will be fully 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.

1.9 The Executive Director of Resources is required to submit an annual treasury management strategy to the Mayor for approval. The Executive Director of Resources is responsible for maintaining the Treasury Management Practices (TMPs) and monitoring and managing the strategy, with day to day management of this function delegated to the Chief Investment Officer and his staff.

## **2 Economic Background**

2.1 Over the last two years, the Covid-19 outbreak has caused huge economic damage to the UK economy and economies around the world. After the Bank of England Monetary Policy Committee (MPC) took emergency action in March 2020 to cut Bank Rate to 0.10%, it left it unchanged at its subsequent meetings until raising it to 0.25% on 16 December 2021.

2.2 After the Bank of England became the first major western central bank to put interest rates up, it quickly followed this up by a 0.25% rise to 0.50% on 3 February 2022 and a 0.25% rise to 0.75% on 17 March 2022. The Authority's external treasury management advisor, Link Asset Services (Link), forecasts further rate increases to get Bank Rate to 1.25% by December 2022<sup>1</sup>.

2.3 On 3 February 2022, the MPC also voted unanimously to:

- reduce the £875bn stock of UK government bond purchases, financed by the issuance of central bank reserves, by ceasing to reinvest maturing assets; and
- begin to reduce the £20bn stock of sterling non-financial investment-grade corporate bond purchases by ceasing to reinvest maturing assets and by a programme of corporate bond sales to be completed no earlier than towards the end of 2023.

2.4 The overall balance of risks to economic growth in the UK is now to the downside, including risks from the conflict in Ukraine, rising inflation, and Covid-19 and its variants, both domestically and worldwide.

2.5 We have seen a lot of volatility in gilt yields, and hence in the Public Works Loan Board (PWLB) rates, in the last few months. Although Link forecasts little overall increase in gilt yields to March 2025<sup>2</sup>, volatility will likely remain high during this period.

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<sup>1</sup> As at February 2022

<sup>2</sup> As at February 2022

2.6 This outlook has the following treasury management implications:

- Investment returns are likely to increase relative to interest rate increase during 2022-23 with some increase in the following two years.
- Borrowing rates have reduced to historically very low levels as a result of the Covid-19 crisis and the quantitative easing operations of the Bank of England. Following the reduction of the PWLB margin in November 2020, there continues to be value in longer-term borrowing from the PWLB for the purposes of budgetary certainty, where that is desirable.

### **3 Borrowing Strategy**

- 3.1 The Authority'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.
- 3.2 Where possible, the Authority will focus on mitigating the risk of future interest rate rises by securing future drawdowns of funding at rates agreed in advance, while using short-term finance to manage immediate cash flow needs.
- 3.3 Considering the fluctuations in the cost of PWLB borrowing, Group Treasury will continue to build relationships with other lenders and establish a capital markets presence that will achieve the lowest possible margin above Gilts, in pursuit of long-term access to sustainable funding.
- 3.4 Where it is likely to lead to lower interest and/or administrative cost, the Authority will consider borrowing on behalf of its functional bodies.
- 3.5 Where possible, the Authority will top-slice the concerned functional bodies' shares of business rates or other GLA-controlled income to fund the repayment of the borrowing over time. This will avoid a proliferation of back-to-back loan agreements with the attendant cost and operational risk.

### **4 Internal Borrowing Approach**

- 4.1 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;
  - Investment rates are expected to remain below borrowing rates over the next 12 months; and
  - Agreements with central government specifying particular levels of borrowing.

## **5 Policy on Borrowing in Advance of Need**

- 5.1 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.
- 5.2 In determining whether borrowing will be undertaken in advance of need, the Authority will:
- Ensure the ongoing revenue liabilities created, and the implications for 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.

## **6 Debt Rescheduling**

- 6.1 PWLB pricing policies currently impose a considerable spread between the rate of new loans and the rate used to calculate premiums or discounts on early redemption. This means that there are 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.
- 6.2 The Authority continues to consider the use of intragroup transactions, to offer savings on borrowing and/or risk management opportunities.

## **7 Delegation / Authorisation**

- 7.1 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 the Chief Investment Officer, provided no decision contravenes the limits set out in the prevailing TMSS.
- 7.2 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.

## 8 Investment Strategy

- 8.1 The Authority will continue to use the highly successful pooled approach to investment through the GLA Group Investment Syndicate (GIS). The GIS, currently a contractual arrangement, is being restructured into a more conventional fund structure. The intention is to repurpose GLA Strategic Reserve LP as the fund (currently the Authority uses this partnership to hold residential mortgage backed securities (RMBS) and strategic assets, within the GIS), with the GIS participants becoming limited partners. This will necessitate the registration of the partnership as an alternative investment fund (AIF) with the Financial Conduct Authority (FCA).
- 8.2 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, subject to identical parameters as set out in Appendix 5 (Investment Strategy), except that there shall be no requirement to maintain any particular weighted average maturity.
- 8.3 Subject to appropriate Decisions, the Authority 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 Authority 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 Land Fund is an example of this.
- 8.4 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   |
| Land Fund (commercial strand) | <ul style="list-style-type: none"> <li>• Temporary loans up to 3 months only;</li> <li>• Maximum aggregate exposure is £250m less current book value of outstanding investments.</li> </ul> |

- 8.5 The consolidated limits set out at Appendix 5 (Investment Strategy) are intended to specify a target allocation over the long-term and manage risks. In the case of RMBS and strategic investments, it would not be desirable to increase or reduce allocations on a frequent basis as this would risk crystallising unrealised losses. The Authority's approach seeks to balance the need to react to changing cash balance assumptions and manage concentration risks (objectives which favour percentage-based limits) and avoid the need to adjust positions more frequently than necessary (an approach which favours fixed cash limits).
- 8.6 Therefore, the Authority will provide London Treasury Limited (LTL) and external managers with cash limits for principal invested based on the Authority's forecasts of average balances for itself and participants in the Authority's treasury management shared service. The Authority will maintain a rolling 12-month cash balance forecast and will provide LTL (and any external managers) with updated limits quarterly or if the average balance forecast changes by more than 20%.
- 8.7 LTL (and any external managers) will report any breach of their cash limits to the Authority immediately. Additionally, Group Treasury will review exposures quarterly (based on quarterly valuations) and report any breach of the limits to the Executive Director of Resources and nominated officers of participants in the GIS.
- 8.8 Where an exception has arisen because of a manager exceeding cash limits (active exceptions) or as a result of balance forecasts and/or market values changing (passive exceptions), the choice of corrective action is delegated to the Chief Investment Officer, in consultation with the Executive Director of Resources and the participants in the GIS.

## **9 Use of External Service Providers**

- 9.1 The Authority's treasury management investments are managed by its subsidiary company, LTL, which is authorised and regulated by the FCA to manage investments and provide investment advice.
- 9.2 The Authority uses Link Asset Services (Link) as its external treasury management advisor under a joint arrangement with other members of the Authority's treasury management shared service. Other professional advisors may be appointed to assist with particular projects, in particular Land Fund and strategic investments. The current panel of advisors includes Institutional Investment Advisors (IIA), TradeRisks and Camdor Global Advisors.
- 9.3 Whilst recognising the specialist skills and resources advisors can provide, the Authority acknowledges that responsibility for treasury management decisions remains wholly with the organisation and will ensure that undue reliance is not placed upon external service providers.
- 9.4 External managers will comply with this and subsequent treasury management 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 RMBS by TwentyFour Asset Management and Prytania Asset Management.
- 9.5 The RBS group is the Authority's banker and continues to provide a competitive service under an annual rolling contract.

- 9.6 The Authority's policy is that any custodian (or, if relevant, sub-custodian) shall meet the Authority's credit criteria for 12-month investments (prior to Credit Default Swaps, market or other temporary adjustments).

## **10 Treasury Training**

- 10.1 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.
- 10.2 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.
- 10.3 Group Treasury officers also routinely attend national forums and practitioner groups, such as the CIPFA Treasury Management Network.
- 10.4 The training needs of officers and elected Members are reviewed annually.
- 10.5 Group Treasury, supported by Link, maintain a regular training programme available to elected Members and all senior officers participating in the Authority's treasury management shared service and a record of the training provided is kept for future reference.

## MD2975 Appendix 2: Treasury Management Policy Statement

### 1 Policy Statement

- 1.1 This policy statement is in the form recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, Section 6.
- 1.2 The GLA defines its treasury management activities as:

‘The management of the Authority’s borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks’.
- 1.3 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 these risks.
- 1.4 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.

## MD2975 Appendix 3: Minimum Revenue Provision (MRP) Policy Statement

### 1 Introduction

- 1.1 The Minimum Revenue Provision (MRP) is the amount of revenues set aside each year to fund capital expenditure previously financed by borrowing or credit arrangements. 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'.

### 2 Minimum Revenue Provision (MRP) Policy

- 2.1 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 (NLE), are distinct and require separate consideration from general corporate capital expenditure.
- 2.2 The policy for the MRP relating to the Crossrail CFR is 'equal to the excess of Business Rates Supplement (BRS) receipts and other hypothecated revenues over net financing and other revenue costs borne by the General Fund, including the making good of prior year Crossrail account deficits'.
- 2.3 The policy for the MRP relating to the 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'.
- 2.4 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.
- 2.5 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.
- 2.6 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.

- 2.7 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.

## MD2975 Appendix 4 – Part 1: Prudential and Treasury Management Indicators

### 1 Background

- 1.1 The Prudential Code has been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Prudential Code has a central role in capital finance decisions, including borrowing for capital investment. Its key objectives are to provide a framework for local authority capital finance that will ensure for individual local authorities that capital expenditure plans are affordable; all external borrowing and other long-term liabilities are within prudent and sustainable levels and that treasury management decisions are taken in accordance with good professional practice.
- 1.2 The Prudential Code has also the objective of being consistent with and supporting local strategic planning, local asset management planning and proper option appraisal.
- 1.3 Any such framework for the internal control and self-management of capital finance must therefore deal with all three of the following elements:
  - Capital expenditure plans;
  - External debt; 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, including Treasury Management 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, including Treasury Management Indicators, must be approved by the Authority and any subsequent changes to these indicators must also be approved by the Authority.
- 1.6 These Prudential Indicators, including Treasury Management Indicators, are set out below.

### 2 Capital Expenditure Prudential Indicators

#### *Capital Expenditure*

- 2.1 Capital expenditure under the approved capital spending plan is a key driver of treasury management activity.
- 2.2 All capital expenditure is included, not just that covered by borrowing.

| Capital Expenditure (£m) | 2021-22<br>Forecast<br>Outturn | 2022-23<br>Estimate | 2023-24<br>Estimate | 2024-25<br>Estimate |
|--------------------------|--------------------------------|---------------------|---------------------|---------------------|
|                          |                                |                     |                     |                     |

|                           |          |          |          |          |
|---------------------------|----------|----------|----------|----------|
| Total Capital Expenditure | 1,792.49 | 1,703.74 | 1,602.36 | 1,293.47 |
|---------------------------|----------|----------|----------|----------|

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

| Financing of Capital Expenditure (£m) | 2021-22<br>Forecast<br>Outturn | 2022-23<br>Estimate | 2023-24<br>Estimate | 2024-25<br>Estimate |
|---------------------------------------|--------------------------------|---------------------|---------------------|---------------------|
| Capital Grants                        | 968.95                         | 1,135.91            | 1,394.81            | 1,127.28            |
| Capital Receipts                      | 48.98                          | 64.24               | 133.00              | 95.46               |
| Capital Reserves                      | -                              | -                   | -                   | -                   |
| Other Revenue                         | 157.25                         | 77.20               | 57.25               | 17.31               |
| <b>Total Funding</b>                  | <b>1,175.18</b>                | <b>1,277.34</b>     | <b>1,585.06</b>     | <b>1,240.05</b>     |
| Net Financing Need for the Year       | 617.31                         | 426.40              | 17.30               | 53.42               |
| <b>Total Capital Expenditure</b>      | <b>1,792.49</b>                | <b>1,703.74</b>     | <b>1,602.36</b>     | <b>1,293.47</b>     |

*Capital Financing Requirement (CFR) – the Authority’s Borrowing Need*

- 2.4 The Capital Financing Requirement (CFR) 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.
- 2.5 It is a measure of the Authority’s yet unfunded capital expenditure, i.e. its underlying borrowing need. Any capital expenditure above, which has not immediately been charged to the revenue account or matched to capital grants, receipts or reserves, will increase the CFR. The annual Minimum Revenue Provision (MRP) acts to spread the revenue impact of this over the aggregate useful life of the assets in question.
- 2.6 The Mayor is asked to note the CFR projections below:

| Capital Financing Requirement (CFR) (£m) | 2020-21<br>Actual | 2021-22<br>Forecast<br>Outturn | 2022-23<br>Estimate | 2023-24<br>Estimate | 2024-25<br>Estimate |
|--|-------------------|--------------------------------|---------------------|---------------------|---------------------|
| Total CFR                                | 5,162.82          | 5,578.05                       | 5,788.63            | 5,598.60            | 5,437.84            |
| Movement in CFR                          | -42.12            | 415.23                         | 210.58              | -190.03             | -160.76             |

| <b>Movement in CFR (£m)</b>   | 2020-21<br>Actual | 2021-22<br>Forecast<br>Outturn | 2022-23<br>Estimate | 2023-24<br>Estimate | 2024-25<br>Estimate |
|---|-------------------|--------------------------------|---------------------|---------------------|---------------------|
| Net Financing Need for the Year                                       | 110.02            | 617.31                         | 426.40              | 17.30               | 53.42               |
| Less MRP <sup>1</sup> /VRP <sup>2</sup> and Other Financing Movements | -152.14           | -202.09                        | -215.82             | -207.33             | -214.18             |
| <b>Movement in CFR</b>  | <b>-42.12</b>     | 415.23                         | 210.58              | -190.03             | -160.76             |

### 3 External Debt Prudential Indicators

#### *Authorised Limit for External Debt*

- 3.1 The Authorised Limit is the expected maximum borrowing needed with some headroom for unexpected developments such as unusual cash movements.
- 3.2 For the purposes of the Prudential Code, borrowing is distinguished from other long-term liabilities.
- 3.3 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 these payments.

#### **Authorised Limit for External Debt – Group**

| <b>GLA (£m)</b>             | 2022-23 Proposed | 2023-24 Proposed | 2024-25 Proposed |
|-----------------------------|------------------|------------------|------------------|
| Borrowing                   | 7,200.00         | 7,200.00         | 7,200.00         |
| Other Long-Term Liabilities | -                | -                | -                |
| <b>Total</b>                | <b>7,200.00</b>  | <b>7,200.00</b>  | <b>7,200.00</b>  |

| <b>MOPAC (£m)</b> | 2022-23 Proposed | 2023-24 Proposed | 2024-25 Proposed |
|-------------------|------------------|------------------|------------------|
| Borrowing         | 873.00           | 1,092.00         | 1,248.00         |

<sup>1</sup> Minimum Revenue Provision

<sup>2</sup> Voluntary Revenue Provision

|                             |               |                 |                 |
|-----------------------------|---------------|-----------------|-----------------|
| Other Long-Term Liabilities | 54.40         | 49.70           | 39.90           |
| <b>Total</b>                | <b>927.40</b> | <b>1,141.70</b> | <b>1,287.90</b> |

| <b>LFC (£m)</b>             | 2022-23 Proposed | 2023-24 Proposed | 2024-25 Proposed |
|-----------------------------|------------------|------------------|------------------|
| Borrowing                   | 175.00           | 175.00           | 175.00           |
| Other Long-Term Liabilities | 70.00            | 70.00            | 70.00            |
| <b>Total</b>                | <b>245.00</b>    | <b>245.00</b>    | <b>245.00</b>    |

| <b>*TfL Corporation (£m)</b> | 2022-23 Proposed | 2023-24 Proposed | 2024-25 Proposed |
|------------------------------|------------------|------------------|------------------|
| Borrowing                    | 13,769.00        | 13,768.70        | 13,733.50        |
| Other Long-Term Liabilities  | 785.30           | 742.80           | 701.70           |
| <b>Total</b>                 | <b>14,554.30</b> | <b>14,511.50</b> | <b>14,435.20</b> |
| <b>*TfL Group (£m)</b>       | 2022-23 Proposed | 2023-24 Proposed | 2024-25 Proposed |
| Borrowing                    | 14,568.80        | 14,568.40        | 14,533.00        |
| Other Long-Term Liabilities  | 3,175.40         | 3,053.60         | 2,937.40         |
| <b>Total</b>                 | <b>17,744.20</b> | <b>17,622.00</b> | <b>17,470.40</b> |

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

| <b>LLDC (£m)</b>            | 2022-23 Proposed | 2023-24 Proposed | 2024-25 Proposed |
|-----------------------------|------------------|------------------|------------------|
| Borrowing                   | 520.00           | 550.00           | 550.00           |
| Other Long-Term Liabilities | -                | -                | -                |
| <b>Total</b>                | <b>520.00</b>    | <b>550.00</b>    | <b>550.00</b>    |

| <b>GLA Group (£m)</b> | 2022-23 Proposed | 2023-24 Proposed | 2024-25 Proposed |
|-----------------------|------------------|------------------|------------------|
| Borrowing             | 23,336.80        | 23,585.40        | 23,706.00        |

|                             |                  |                  |                  |
|-----------------------------|------------------|------------------|------------------|
| Other Long-Term Liabilities | 3,299.80         | 3,173.30         | 3,047.30         |
| <b>Total</b>                | <b>26,636.60</b> | <b>26,758.70</b> | <b>26,753.30</b> |

*Operational Boundary for External Debt*

- 3.4 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.
- 3.5 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 (£m)                    | 2022-23 Proposed | 2023-24 Proposed | 2024-25 Proposed |
|-----------------------------|------------------|------------------|------------------|
| Borrowing                   | 6,800.00         | 6,800.00         | 6,800.00         |
| Other Long-Term Liabilities | -                | -                | -                |
| <b>Total</b>                | <b>6,800.00</b>  | <b>6,800.00</b>  | <b>6,800.00</b>  |

| MOPAC (£m)                  | 2022-23 Proposed | 2023-24 Proposed | 2024-25 Proposed |
|-----------------------------|------------------|------------------|------------------|
| Borrowing                   | 748.00           | 967.00           | 1,123.00         |
| Other Long-Term Liabilities | 54.40            | 49.70            | 39.90            |
| <b>Total</b>                | <b>802.40</b>    | <b>1,016.70</b>  | <b>1,162.90</b>  |

| LFC (£m)                    | 2022-23 Proposed | 2023-24 Proposed | 2024-25 Proposed |
|-----------------------------|------------------|------------------|------------------|
| Borrowing                   | 170.00           | 170.00           | 170.00           |
| Other Long-Term Liabilities | 70.00            | 70.00            | 70.00            |
| <b>Total</b>                | <b>240.00</b>    | <b>240.00</b>    | <b>240.00</b>    |

| <b>*TfL Corporation (£m)</b> | 2022-23 Proposed | 2023-24 Proposed | 2024-25 Proposed |
|------------------------------|------------------|------------------|------------------|
| Borrowing                    | 13,069.00        | 13,068.70        | 13,033.50        |
| Other Long-Term Liabilities  | 535.30           | 492.80           | 451.70           |
| <b>Total</b>                 | <b>13,604.30</b> | <b>13,561.50</b> | <b>13,485.20</b> |
| <b>*TfL Group (£m)</b>       | 2022-23 Proposed | 2023-24 Proposed | 2024-25 Proposed |
| Borrowing                    | 13,069.00        | 13,089.90        | 13,149.30        |
| Other Long-Term Liabilities  | 2,675.40         | 2,553.60         | 2,437.40         |
| <b>Total</b>                 | <b>15,744.20</b> | <b>15,643.50</b> | <b>15,586.70</b> |

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

| <b>LLDC (£m)</b>            | 2022-23 Proposed | 2023-24 Proposed | 2024-25 Proposed |
|-----------------------------|------------------|------------------|------------------|
| Borrowing                   | 517.50           | 540.00           | 540.00           |
| Other Long-Term Liabilities | -                | -                | -                |
| <b>Total</b>                | <b>517.50</b>    | <b>540.00</b>    | <b>540.00</b>    |

| <b>GLA Group (£m)</b>       | 2022-23 Proposed | 2023-24 Proposed | 2024-25 Proposed |
|-----------------------------|------------------|------------------|------------------|
| Borrowing                   | 21,304.30        | 21,566.90        | 21,782.30        |
| Other Long-Term Liabilities | 2,799.80         | 2,673.30         | 2,547.30         |
| <b>Total</b>                | <b>24,104.10</b> | <b>24,240.20</b> | <b>24,329.60</b> |

### *Gross Debt and Capital Financing Requirement*

- 3.6 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.

| <b>Gross Debt and Capital Financing Requirement (£m)</b> | 2020-21 Actual | 2021-22 Forecast Outturn | 2022-23 Estimate | 2023-24 Estimate | 2024-25 Estimate |
|--|----------------|--------------------------|------------------|------------------|------------------|
|  |                |                          |                  |                  |                  |

|                               |          |          |          |          |          |
|-------------------------------|----------|----------|----------|----------|----------|
| Gross Debt at 31 March        | 5,154.21 | 5,373.76 | 5,453.16 | 5,196.46 | 4,996.88 |
| Capital Financing Requirement | 5,162.82 | 5,578.05 | 5,788.63 | 5,598.60 | 5,437.84 |

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

#### 4 Affordability Prudential Indicators

##### *Ratio of Financing Costs to Net Revenue Stream*

- 4.1 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 (%) | 2021-22<br>Forecast<br>Outturn | 2022-23<br>Estimate | 2023-24<br>Estimate | 2024-25<br>Estimate |
|---|--------------------------------|---------------------|---------------------|---------------------|
| Financing Costs to Net Revenue Stream     | 21.40                          | 22.36               | 23.81               | 23.78               |

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

##### *Interest Cover Ratio*

- 4.3 Given the scale of financing costs involved in the Crossrail borrowing and the Northern Line Extension (NLE) borrowing, the financing arrangements for these two projects included the requirement that the Authority will always hold the cash required to cover six months' worth of interest payable.

#### 5 Treasury Management Prudential Indicators

##### *Limits for Maturity Structure of Borrowing*

- 5.1 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 are set.

- 5.2 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 Lender Option Borrower Option (LOBO) loan, the maturity date will be deemed to be the next call date.

| Limits for Maturity Structure of Borrowing for 2022-23 (%) | Upper Limit | Lower Limit |
|--|-------------|-------------|
| Under 12 months  | 15          | 0           |
| 12 months and within 24 months                             | 15          | 0           |
| 24 months and within 5 years                               | 35          | 0           |
| 5 years and within 10 years                                | 60          | 10          |
| 10 years and above   | 100         | 20          |

*Limits for Principal Sums Invested for Periods Longer than 365 days*

- 5.3 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.
- 5.4 Under this indicator the 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 for Longer Than 365 Days (£m) | 2022-23   | 2023-24 | 2024-25 |
|---|---|---------|---------|
| Land Fund   | 250.00  | 250.00  | 250.00  |
| Treasury – Strategic Investments                              | Up to 15% of rolling 1-year cash balance forecast |         |         |

## Appendix 4 – Part 2: GLA 2020-21 Treasury Management Outturn and 2021-22 Mid-Year Report

### 1 Summary of Performance

- 1.1 Investment balances for the GLA were £4,258.95m at 31 March 2021 and £4,365.51 at 30 September 2021.
- 1.2 Returns on short-term investments for the year 2020-21 were £22.28m, against a total interest receivable budget of £17.40m, an outperformance of 28% in 2020-21.
- 1.3 Returns on strategic investments for the year 2020-21 were £1.24m.
- 1.4 Returns on short-term investments for the first half of 2021-22 were £7.35m, against a total interest receivable budget of £9.0m for the year.
- 1.5 Returns on strategic investments for the first half of 2021-22 were £1.57m.
- 1.6 The debt portfolio reduced from £5,202.81m at the start of 2020-21 to £5,154.21m at 31 March 2021, and increased to £5,196.42m at 30 September 2021.

### 2 Treasury Management Strategy Statement (TMSS) 2020-21 and 2021-22

- 2.1 The Executive Director of Resources confirms that, throughout the reporting period, all treasury activities have been conducted within the parameters of the Treasury Management Strategy Statement.

### 3 Treasury Management Outturn Position for 2020-21 and 2021-22 Mid-Year Update

| Treasury Management Position                 | Actual at 31/03/20 |          | Actual at 31/03/21 |          | Actual at 30/09/21 (Mid-Year) |          |
|--|--------------------|----------|--------------------|----------|-------------------------------|----------|
|  | Amount (£m)        | Rate (%) | Amount (£m)        | Rate (%) | Amount (£m)                   | Rate (%) |
| Long-Term Borrowing                          | 5,179.42           | 3.01     | 5,131.63           | 3.01     | 5,175.13                      | 3.00     |
| Short-Term Borrowing (Variable Rate)         | 23.39              | 0.62     | 22.59              | 0.33     | 21.29                         | 0.36     |
| <b>Total External Borrowing (A)</b>          | <b>5,202.81</b>    |          | <b>5,154.21</b>    |          | <b>5,196.42</b>               |          |
| PFI Liabilities                              | -                  |          | -                  |          | -                             |          |
| Finance Lease Liabilities                    | -                  |          | -                  |          | -                             |          |
| <b>Total Other Long-Term Liabilities (B)</b> | <b>-</b>           |          | <b>-</b>           |          | <b>-</b>                      |          |
| <b>Total Gross Debt (A+B)</b>                | <b>5,202.81</b>    |          | <b>5,154.21</b>    |          | <b>5,196.42</b>               |          |

|   |                 |      |                 |      |                 |      |
|---|-----------------|------|-----------------|------|-----------------|------|
| Capital Financing Requirement                       | 5,204.93        |      | 5,162.82        |      | 5,995.94        |      |
| Less Other Long-Term Liabilities                    | -               |      | -               |      | -               |      |
| <b>Underlying Capital Borrowing Requirement (C)</b> | <b>5,204.93</b> |      | <b>5,162.82</b> |      | <b>5,995.94</b> |      |
| Under/(Over) Borrowing (C-A)                        | 2.12            |      | 8.61            |      | 799.52          |      |
| Investments: Short/Long-Term (D)                    | 3,890.79        | 0.97 | 4,258.95        | 0.57 | 4,365.51        | 0.37 |
| <b>Total Net Borrowing (A-D)</b>                    | <b>1,312.02</b> |      | <b>895.26</b>   |      | <b>830.91</b>   |      |

## 4 Borrowing Activities

- 4.1 The GLA is required to borrow to fund its capital programme. The amount of new borrowing needed each year is determined by new capital schemes approved and included in the capital programme. Temporary borrowing is required to manage operational cashflow requirements. The following table shows the movement in borrowing during the reporting period and the split of borrowing between GLA general borrowing and GLA borrowing for specific projects i.e. Crossrail and the Northern Line Extension (NLE).

| Borrowing (£m)               | Long-Term     |                 |               |                 | Short-Term   | Total           |
|------------------------------|---------------|-----------------|---------------|-----------------|--------------|-----------------|
|                              | GLA           | Crossrail       | NLE           | Total           |              |                 |
| <b>Balance at 31/03/20</b>   | <b>230.00</b> | <b>4,051.50</b> | <b>897.92</b> | <b>5,179.42</b> | <b>23.39</b> | <b>5,202.81</b> |
| Add New Loans in 2020-21     | -             | 46.00           | 1.21          | <b>47.21</b>    | 4.50         | <b>51.70</b>    |
| Less Loans Repaid in 2020-21 | -35.00        | -60.00          | -             | <b>-95.00</b>   | -5.30        | <b>-100.30</b>  |
| <b>Balance at 31/03/21</b>   | <b>195.00</b> | <b>4,037.50</b> | <b>899.13</b> | <b>5,131.63</b> | <b>22.59</b> | <b>5,154.21</b> |
| Add New Loans in 2021-22     | -             | 269.00          | -             | <b>269.00</b>   | 1.83         | <b>270.83</b>   |
| Less Loans Repaid in 2021-22 | -35.00        | -190.50         | -             | <b>-225.50</b>  | -3.13        | <b>-228.63</b>  |
| <b>Balance at 30/09/21</b>   | <b>160.00</b> | <b>4,116.00</b> | <b>899.13</b> | <b>5,175.13</b> | <b>21.29</b> | <b>5,196.42</b> |

- 4.2 The table below shows the breakdown of short-term borrowing over the reporting period.

| Short-term borrowing (£m)    | LWARB        | OPDC        | Total        |
|------------------------------|--------------|-------------|--------------|
| <b>Balance at 31/03/20</b>   | <b>18.31</b> | <b>5.08</b> | <b>23.39</b> |
| Add New Loans in 2020-21     | 0.09         | 4.41        | 4.50         |
| Less Loans Repaid in 2020-21 | -3.95        | -1.35       | - 5.30       |
| <b>Balance at 31/03/21</b>   | <b>14.45</b> | <b>8.14</b> | <b>22.59</b> |
| Add New Loans in 2021-22     | 0.01         | 1.82        | 1.83         |
| Less Loans Repaid in 2021-22 | -2.85        | -0.28       | -3.13        |
| <b>Balance at 30/09/21</b>   | <b>11.61</b> | <b>9.69</b> | <b>21.29</b> |

## 5 Investment Activities

5.1 The table below shows the breakdown of investment balances over the reporting period.

| Investments (£m)           | Long-Term<br>(Strategic<br>Investments) | Short-Term<br>(RMBS) | Short-Term<br>(Other) | Total           |
|----------------------------|---|----------------------|-----------------------|-----------------|
| Balance at 01/04/20        | 12.50                                   | 235.40               | 3,642.89              | 3,890.79        |
| <b>Balance at 31/03/21</b> | <b>44.26</b>                            | <b>698.37</b>        | <b>3,516.32</b>       | <b>4,258.95</b> |
| <i>Net Movement</i>        | <i>31.76</i>                            | <i>462.97</i>        | <i>-126.57</i>        | <i>368.16</i>   |
| <b>Balance at 30/09/21</b> | <b>111.31</b>                           | <b>1,038.62</b>      | <b>3,215.56</b>       | <b>4,365.49</b> |
| <i>Net Movement</i>        | <i>67.05</i>                            | <i>340.25</i>        | <i>-300.76</i>        | <i>106.54</i>   |

## 6 Investment Performance

6.1 The performance of the strategic investments portfolio is shown in the table below.

| Strategic Investments (£m)                      | Balance | Return   |
|---|---------|----------|
| <b>2020-21</b>                                  |         | 31/03/21 |
| SME Lending                                     | 14.52   | 0.74     |
| Renewable Energy and Sustainable Infrastructure | 4.75    | 0.27     |
| Social Infrastructure                           | 25.00   | 0.23     |

|   |               |             |
|---|---------------|-------------|
| <b>Total</b>                                    | <b>44.26</b>  | <b>1.24</b> |
| <b>2021-22</b>                                  |               | 30/09/21    |
| SME Lending                                     | 14.96         | 0.84        |
| Renewable Energy and Sustainable Infrastructure | 7.77          | -           |
| Social Infrastructure                           | 44.29         | 0.73        |
| Social Infrastructure – Units                   | 44.29         | -           |
| <b>Total</b>                                    | <b>111.31</b> | <b>1.57</b> |

6.2 The residential mortgage backed securities (RMBS) portfolio initially formed part of the London Strategic Reserve (LSR). It was transferred to the GLA Group Investment Syndicate (GIS) at the start of 2020-21.

6.3 The LSR portfolio was transferred to the GIS at the start of 2021-22 under a combined investment strategy.

## 7 Short-Term Investments

7.1 Returns on short-term investments during the reporting period were as follows:

- 2020-21: £22.28m against a total interest receivable budget of £17.40m; and
- 2021-22 (first half of the year): £7.35m against a total interest receivable budget of £9.0m for the year.

## 8 Total Returns

8.1 Total returns on investments for the year 2020-21 were £23.52m and £8.93m for the first half of 2021-22.

## 9 Financing Costs

| Financing Costs (£m)                           | 2020-21 Budget | 2020-21 Actual | 2021-22 Budget | 2021-22 Actual at 30/09/21 (Mid-Year) |
|--|----------------|----------------|----------------|---------------------------------------|
| Interest Payable: PWLB, Bonds and Market Loans | 159.50         | 155.91         | 182.30         | 77.29                                 |
| Interest Payable: Other Long-Term Liabilities  | -              | -              | -              | -                                     |

|                           |         |         |        |        |
|---------------------------|---------|---------|--------|--------|
| Total Interest Receivable | (17.40) | (23.52) | (9.00) | (8.93) |
|---------------------------|---------|---------|--------|--------|

## 10 Prudential and Treasury Management Indicators

### *Capital Expenditure Prudential Indicators*

| Capital Expenditure and Capital Financing Requirement (£m) | 2020-21 Budget | 2020-21 Actual | 2020-21 Variance |
|--|----------------|----------------|------------------|
| Capital Expenditure  | 1,713.00       | 871.20         | (841.80)         |
| Capital Financing Requirement                              | 5,203.59       | 5,162.82       | (40.77)          |

### *External Debt Prudential Indicators*

#### Authorised Limit for External Debt

| Authorised Limit for External Debt (£m)                              | 2020-21  | 2021-22  |
|--|----------|----------|
| Authorised Limit   | 6,100.00 | 7,200.00 |
| External Debt at Period End (31 March and 30 September respectively) | 5,154.21 | 5,196.42 |
| Headroom   | 945.79   | 2,003.58 |

#### Operational Boundary for External Debt

| Operational Boundary for External Debt (£m)                          | 2020-21  | 2021-22  |
|--|----------|----------|
| Operational Boundary   | 5,700.00 | 6,800.00 |
| External Debt at Period End (31 March and 30 September respectively) | 5,154.21 | 5,196.42 |
| Headroom   | 545.79   | 1,603.58 |

### *Treasury Management Prudential Indicators*

#### Limits for Maturity Structure of Borrowing

| Limits for Maturity Structure of Borrowing (%) | Upper Limit | Lower Limit | Actual at Period End |
|--|-------------|-------------|----------------------|
| <b>2020-21</b>                                 |             |             | 31/03/21             |
| Under 12 months                                | 10          | 0           | 6.22                 |

|                              |     |    |          |
|------------------------------|-----|----|----------|
| 12 months and within 2 years | 15  | 0  | 7.56     |
| 2 years and within 5 years   | 30  | 0  | 16.29    |
| 5 years and within 10 years  | 45  | 10 | 35.03    |
| 10 years and above           | 100 | 20 | 34.91    |
| <b>2021-22</b>               |     |    | 30/09/21 |
| Under 12 months              | 15  | 0  | 6.13     |
| 12 months and within 2 years | 15  | 0  | 6.83     |
| 2 years and within 5 years   | 30  | 0  | 16.86    |
| 5 years and within 10 years  | 50  | 10 | 32.89    |
| 10 years and above           | 100 | 20 | 37.30    |

**MD2975 Appendix 5: Investment Strategy****1 Background**

- 1.1 This appendix sets out a high-level framework for the investments within the GLA Group Investment Syndicate (GIS). This is subject to collective agreement by the GIS participants, currently the GLA, the London Fire Commissioner (LFC), the Mayor's Office for Policing and Crime (MOPAC), the London Legacy Development Corporation (LLDC), the London Pensions Fund Authority (LPFA) and in due course the London Borough of Harrow.
- 1.2 Agreeing a strategy with the other participants is delegated to the Executive Director of Resources, provided the limits in this Investment Strategy are not exceeded. On transition of the GIS to the alternative investment fund (AIF) structure as referred to in the Treasury Management Strategy Statement, authority is delegated to the Executive Director of Resources to represent the GLA at the Limited Partner Advisory Committee and agree any strategy for the AIF, likewise provided that the limits in this Investment Strategy are not exceeded.
- 1.3 The proposed asset allocation for the collective investment strategy is as follows:

| <b>Asset type</b>   |  | <b>Allocation</b> | <b>Expected return</b> |
|---|--|-------------------|------------------------|
| Core liquidity: managed with a weighted average life of 90 days | Overnight liquidity                                  | 10%               | 0.50%                  |
|   | Local authority < 12mths                             | 15%               | 0.60%                  |
|   | Banks < 12mths                                       | 30%               | 0.75%                  |
| Medium term: weighted average life < 3 years                    | Senior residential mortgage backed securities (RMBS) | 35%               | 1.00%                  |
| Long-term core balance  | Other strategic investments                          | 10%               | 4.00%                  |
| <b>Total</b>  |  | <b>100%</b>       | <b>1.12%</b>           |

- 1.4 The portfolio 95% VaR (value at risk) limit should not exceed 2%. VaR calculations and their underlying assumptions should be assessed at least semi-annually with regard to appropriate professional advice.

**2 Counterparty and Investment Limits**

- 2.1 Table 1 sets out the range of specified and non-specified investments permitted by the GLA. The following key applies:

**S** = Specified (These are sterling investments with high credit quality and a maturity period of not more than 365 days, or those which could be for a longer period but where the lender has the right to be repaid within 365 days if it wishes. These are low risk assets where the possibility of loss of principal or investment income is negligible. The instruments and credit criteria to be used are set out in the table below.)

**NS** = Non-Specified (Non-specified investments are any other type of investment. They normally offer the prospect of higher returns but carry a higher risk.)

**NS\*** = Non-Specified, only used under delegation to a professional manager properly authorised under the Financial Services and Markets Act 2000.

- 2.2 For the avoidance of doubt, the GLA permits the GIS to hold investments directly or through GLA Strategic Reserve LP, reflecting the planned transition, provided that the aggregate direct and partnership's holdings do not breach the limits set out in this Investment Strategy.
- 2.3 The Chief Investment Officer of the GLA and/or the General Partner of GLA Strategic Reserve LP will make best efforts to maintain at least 50% of all investments (or underlying investments) in the form of Specified Investments.

**Table 1**

| Investment type   | Eligibility criteria  | ≤ 1 year to maturity at time of investment | > 1 year to maturity at time of investment | Maximum total exposure as a proportion of forecast daily balance |
|---|---|--|--|--|
| <b>Senior Unsecured Debt, e.g.</b> <ul style="list-style-type: none"> <li>• Deposits</li> <li>• Call Accounts</li> <li>• Notice Accounts</li> <li>• Certificates of Deposit</li> <li>• Loans</li> <li>• Commercial Paper</li> <li>• UK Gilts and T-Bills</li> <li>• All other senior unsecured bonds</li> </ul> | <p>Issuer (and security where separately rated) Investment Grade (IG) defined per <b>Table 3</b></p> <p>OR</p> <p>UK Government (including the Debt Management Account Deposit Facility, Local Authorities and bodies eligible for PWLB finance)</p> <p>OR</p> <p>Issuer not meeting general criteria but instruments explicitly guaranteed by IG entity or sovereign national government meeting acceptable sovereign ratings per <b>Table 2</b></p> | S  | NS   | Aggregate 100%, individual limits determined by tables           |
| <b>Money Market Funds</b>   | <p>Fitch AAA<sub>mmf</sub> or above</p> <p>See <b>Table 3</b> for equivalents from other agencies</p> <p>Daily liquidity</p>  | S  | N/A  | <p>100%</p> <p>Not more than 20% per fund</p>                    |

| 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 forecast daily balance  |
|--|--|--|--|---|
| <b>Other Collective Investment Schemes e.g. Enhanced Cash Funds</b>                | Fitch AAA <sub>r</sub> or equivalent from other agencies per <b>Table 3</b>  | NS   | N/A  | 20%   |
| <b>Senior UK Prime or Buy to Let Residential Mortgage Backed Securities (RMBS)</b> | Bond rating Fitch AA <sub>+</sub> <sub>sf</sub> or above or equivalent from other agencies per <b>Table 3</b>  | NS*  | NS*  | 35%   |
| <b>Covered bonds</b>   | Bond rating Fitch AA <sub>+</sub> <sub>sf</sub> or equivalent from other agencies per <b>Table 3</b><br><br>AND<br><br>Issuer rated Fitch A- or above or equivalent from other agencies per <b>Table 3</b> | NS*  | NS*  | 20%   |
| <b>Repurchase Agreements (Repo)</b>  | Counterparty meets senior unsecured criteria AND proposed collateral (Min 100%) itself meets permitted investment criteria<br><br>OR<br><br>Collateralisation is >102% with UK Gilts / T-Bills             | S* – UK gilts or T-Bills AND counterparty meets senior unsecured criteria<br><br>NS* – other | <i>Not permitted</i>                       | S – 100%<br><br>NS – 20%, and not more than 10% with counterparties not meeting senior unsecured criteria |

| 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 forecast daily balance |
|------------------------------------|---|--|--|--|
| <b>Other strategic investments</b> | Any sterling-denominated investment with risk and return characteristics appropriate to the collective investment arrangement and mutually agreed by all participants | NS*  | NS*  | 10%  |

- 2.4 The GLA will forecast average daily balances for the year ahead and translate the above percentage limits into cash limits to be supplied to London Treasury Limited (LTL) and any external managers. The GLA will provide such limits on a quarterly basis at minimum, providing revised limits if the forecast average balance changes by more than 20%.

### 3 Credit Ratings and Country Limits

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

**Table 2 – Country Limits**

| 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                        |

Note: for non-UK, non-financial institutions, or in circumstances such as an instrument being issued through a subsidiary domiciled in one country but guaranteed or otherwise secured by a parent in another, the risks and appropriate country limit (if any, in the case of multinational corporations) in which to aggregate the exposure will be considered on a case by case basis and determined by the Chief Investment Officer or delegated manager.

- 3.2 Table 3 sets out the range of investment grade ratings used by the GLA and its investment managers.

**Table 3 – Permitted Credit Ratings and Equivalence Mappings**

| Issuer and/or Senior Unsecured Bond Ratings |         |          |            |          |      |
|---|---------|----------|------------|----------|------|
| Long term                                   |         |          | Short term |          |      |
| Fitch                                       | Moody's | S&P      | Fitch      | Moody's  | S&P  |
| AAA   | Aaa     | AAA      |            |          |      |
| AA+   | Aa1     | AA+      |            |          |      |
| AA  | Aa2     | AA       | F1+        | P-1      | A-1+ |
| AA-   | Aa3     | AA-      |            |          |      |
| A+  | A1      | A+       |            |          |      |
| A   | A2      | A        | F1         | P-1      | A-1  |
| A-  | A3      | A-       |            |          |      |
| BBB+  | Baa1    | BBB+     |            |          |      |
| BBB   | Baa2    | BBB      | F2         | P-2      | A-2  |
| Structured Finance Ratings                  |         |          |            |          |      |
| Fitch                                       |         | Moody's  |            | S&P      |      |
| AAA <sub>sf</sub>                           |         | Aaa (sf) |            | AAA (sf) |      |
| AA+ <sub>sf</sub>                           |         | Aa1(sf)  |            | AA+ (sf) |      |
| Money Market Fund Ratings                   |         |          |            |          |      |
| Fitch                                       |         | Moody's  |            | S&P      |      |
| AAA <sub>mmf</sub>                          |         | Aaa-mf   |            | AAAm     |      |
| Other Permitted Fund Ratings                |         |          |            |          |      |
| Fitch                                       |         | Moody's  |            | S&P      |      |
| AAA <sub>f</sub>                            |         | Aaa-bf   |            | AAAf     |      |

- 3.3 Lower ratings are balanced by higher ones in order to maintain credit risk on rated instruments that is no greater than a 12 month deposit with AA- institution. This is determined by assigning a credit factor to each rated investment, per Table 4 and calculating a weighted average portfolio credit factor (PCF). This must remain below 5 and no single instrument may exceed 10.

**Table 4 – Credit Factors**

| Credit Factors based on Issuer Default Rating (Fitch and Fitch Equivalents)<br>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 |

3.4 For the purposes of the above, UK Government (including the Debt Management Account Deposit Facility, Local Authorities and bodies eligible for PWLB finance) securities are treated as AAA, reflecting the UK's highly centralised and interdependent public finance regime.

3.5 Enhanced limits apply for these counterparties and institutions covered by Link Asset Services' Colour Banding Methodology:

**Table 5 – Concentration Limits**

| 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%      |

3.6 The Bands above are calculated based on a range of credit ratings data, including published rating Watches and Outlooks.

## MD2975 Appendix 6: Treasury Management Practices: Main Principles

### 1 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 Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code.
- 1.2 The TMPs: Main Principles are supported by the 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 the TMPs are 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 The TMPs: Schedules will be approved, monitored and reviewed by the Executive Director of Resources.

### 2 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.

2.2.2 The Authority's credit and counterparty policies will set out in due course its policy and practices relating to environmental, social and governance (ESG) investment considerations.

## 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, to finance future debt maturities or to ensure an adequate level of short-term investments to provide liquidity for the Authority.

## 2.4 Interest rate risk management

2.4.1 The Executive Director of Resources will manage the Authority's exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 'Reporting requirements and management information arrangements'.

2.4.2 The Executive Director of Resources will achieve this by the prudent use of the Authority's approved instruments, methods, and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

## 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 the Authority's 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 (2.2) '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 Operational risk management, including fraud, error and corruption
- 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 inadequate or failed internal processes, people and systems, or from external events. Accordingly, he/she will employ suitable systems and procedures and 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 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 a 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 Authority's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance criteria will include measures of effective treasury risk management and not only measures of financial performance (income or savings).

## **4 TMP3 DECISION-MAKING AND ANALYSIS**

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

## **5 TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

- 5.1 The Executive Director of Resources will undertake the Authority's treasury management activities by employing only those instruments, methods and techniques detailed in the Investment Strategy (Appendix 5), and within the limits and parameters defined in TMP1 'Risk management'.

## **6 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 Treasury Management Strategy Statement. The Executive Director of Resources will fulfil all such responsibilities in accordance with the Authority's Treasury Management Policy Statement and TMPs and if a CIPFA member, the 'Standard of Professional Practice on Treasury Management'.

## **7 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 the Authority's treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

7.2 As a minimum:

The Mayor will receive:

- an annual report on the proposed strategy and plan to be pursued in the coming year;
- a mid-year review; and
- 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 Authority's Treasury Management Policy Statement and TMPs.

## **8 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 TMP8 CASH AND CASH FLOW MANAGEMENT**

9.1 Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the 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' and identifying future borrowing needs (using a liability benchmark where appropriate).

## **10 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 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, including the specification of the expertise, knowledge and skills required by each role or member of staff.
- 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 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 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 principles 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 The Authority has adopted and implemented the key principles of the Treasury Management 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.