

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2156

Title: Admission of London Borough of Haringey into the Group Investment Syndicate and Treasury Management Shared Service

Executive Summary:

MD1634 approved the GLA entering arrangements with the London Borough of Haringey to discharge treasury management services. This new MD approves the arrangement that a Financial Services and Markets Act (FSMA) 2000 authorised firm contracted by the GLA will provide certain services relating to those treasury management services including to the Group Investment Syndicate (GIS), GLA and the London Borough of Haringey.

The arrangement with the Financial Services and Markets Act 2000 authorised firm is proposed for one year pending review and undertaking a tender process as applicable.

Following the Mayor's consideration of this decision, each GIS member will be asked to approve the admission of the London Borough of Haringey to the GIS.

Decision:

The Mayor approves:

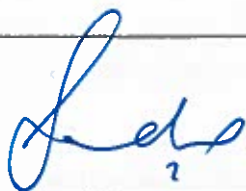
- an exemption from the GLA's Contracts and Funding Code for the GLA to contract directly with a Financial Services Market Act 2000 authorised firm for one year to provide certain services relating to the Group Investment Syndicate and the treasury management services being provided by the GLA to the London Borough of Haringey.

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:

18/7/12

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

Decision required – supporting report

1. Introduction and background

- 1.1 The Group Investment Syndicate (GIS) was established to manage the treasury functions of the GLA, London Fire and Emergency Planning Authority, London Pension Financial Authority, London Legacy Development Corporation and the Mayor's Office of Policing and Crime. At present the GIS manages Group-wide investments of just over £2.5bn and under the treasury management shared services agreements, the GLA manages Group-wide borrowing of just under £4.4bn. The GIS has offered members, within strict risk controls, significantly greater investment returns and a more resilient service.
- 1.2 The GLA has provided support for the London Borough of Haringey's (LB Haringey) regeneration of Tottenham (MD1632). This support includes the commitment for the GLA to borrow on behalf of LB Haringey at advantageous rates to assist the scheme's cash flow. As part of this arrangement LB Haringey has requested to join the GIS. In addition, several London Boroughs have also shown an interest in joining the GIS and treasury management shared services arrangements.
- 1.3 As set out in the legal comments below, to enable GIS and wider investment services (under a treasury management services agreement with the GLA) to be provided to the LB Haringey, the GLA needs to contract with a Financial Services and Markets Act (FSMA) 2000 authorised firm to provide certain investment services. Accordingly, the GLA is proposing to contract with an FSMA 2000 authorised firm for around one year to enable these investment services to be provided whilst the GLA considers the longer-term plans in respect of the provision of investment services.

2. Objectives and expected outcomes

- 2.1 Set out below are the advantages of expanding the GIS:
 - Increased savings in fees would arise for existing GIS members;
 - Increase opportunities for complementary investments and borrowings by GIS members;
 - New services to GIS members, particularly the growth of a potential GIS II which would offer a medium-term investment vehicle of funds not anticipated to be required for at least a year;
 - Pan-London GLA regeneration initiatives with Boroughs, such as that at Tottenham, could be more readily promoted; and
 - Greater resilience in the treasury team would be secured.
- 2.2 The principal perceived risks and how these can be mitigated are set out below:
 - There is a fear that existing GIS members may be subsidising LB Haringey's treasury activities. However, the liabilities and benefits of the GIS are ring-fenced to each GIS member (i.e. there is no cross subsidisation of returns or costs);
 - There is a danger that the LB Haringey might not fully accept the exiting agreed GIS Investment Strategy and this might paralyse decision-making or lead to the need for special and more costly arrangements. This risk has been mitigated by ensuring that the LB of Haringey is aligned to the

existing strategy. In an extreme case of disagreement, a GIS member's participation in the GIS can be terminated.

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 There are no direct equality implications arising from this Decision. The expansion of the GIS would assist the delivery of pan-London GLA regeneration initiatives, which in turn would help promote the Mayor's policies on Equality, Diversity, Inclusion, Social Mobility and Social Integration.

4. Other considerations

- 4.1 To allow the admission of the LB Haringey into the GIS by September 2017, it is proposed that an exemption from the GLA's Contracts and Funding Code is permitted and a single source tender be utilised to enable the GLA to enter a contract with an FSMA 2000 authorised firm as further explained in the Part 2 paper. The approved single source form is appended to Part 2 of this decision form. Pending a review of this arrangement, how the admission of the LB Haringey has operated in practice and consideration by the GLA whether there are other options for FSMA 2000 authorisation will be explored, this contract will be tendered in accordance with the GLA's Contracts and Funding Code by July 2018.

5. Financial comments

- 5.1 The estimated costs of contracting with a FSMA 2000 authorised firm in respect of the investment services includes the capital that must be held by the regulated firm and its insurance costs. These costs will be recouped with the expansion of the GIS but can temporarily be contained within the GLA's budget for the treasury function. It is anticipated that the direct savings to the GLA from the direct costs of the expansion of the GIS as described in paragraph 2 will be recouped within one year.

6. Legal comments

- 6.1 Since the previous MD1634 was approved on the 31 March 2016, legal advice has been obtained by the LB Haringey on the legal powers they must have to enter the GIS and wider treasury management services agreement with the GLA.
- 6.2 Both the GLA and the LB Haringey are 'Local Authorities' for the purposes of the Local Authorities (Goods and Services) Act 1970 and section 1 of that Act permits the GLA to provide administrative, technical and professional services to other Local Authorities such as LB Haringey which include cash flow management, debt management treasury reporting and strategic services.
- 6.3 The LB Haringey may delegate investment management services to any investment managers authorised by the Financial Services and Markets Act 2000 and appointed by the GLA pursuant to Regulation 9 of the Local Authorities (Contracting Out of Investment Functions) Order 1996. The investment management services will be provided by an FSMA 2000 authorised firm following appointment by the GLA and authorisation from the LB Haringey in accordance with an investment management agreement entered by the GLA.
- 6.4 Part C, Section 9 of the GLA's Contracts and Funding Code requires the GLA to seek a call-off from a suitable framework, where possible, or if not, undertake a formal tender process which will be managed by TfL in respect to the investment activity service. However, the Mayor may approve an exemption from this requirement under Part C, Section 10 of the Code upon certain specified

grounds. Officers have indicated at paragraph 4.1 of this report and in the Part 2 paper that the relevant ground applies and that the proposed contract affords value for money. On this basis, the Mayor may approve the proposed exemption if satisfied with the content of this report.

- 6.5 Officers must ensure that the relevant agreements are put in place between: (i) the GLA and the LB Haringey in relation to the treasury management services being provided by the GLA; and (ii) the LB Haringey and GIS members to enable the LB Haringey to join the GIS.

7. Planned delivery approach and next steps

Activity	Timeline
Mayor approves this Decision	July 2017
GIS existing members approve the admission of LB Haringey into the GIS. The Contract between the GLA and an FSMA 2000 authorised firm is finalised. A contract is finalised between the GLA and the LB Haringey in respect of treasury management services.	August 2017
LB Haringey joins the GIS and the GLA and an FSMA 2000 authorised firm commence provision of GIS and treasury management services.	September 2017
Review of the arrangements as described at paragraph 4 to have been completed	December 2017
Subject to review and an applicable tender process in compliance with the GLA's Contracts and Funding Code to have commenced in relation to treasury management activities.	July 2018

Background papers:

MD 1632

MD 1634

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

If YES, for what reason:

Until what date: (a date is required if deferring)

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

Is there a part 2 form – YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

David Gallie has drafted this report in accordance with GLA procedures and confirms the following:

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 the 17 July, 2017

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Clarke

Date

17.7.17

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date

17/7/2017

