

# GREATER LONDON AUTHORITY

## REQUEST FOR DIRECTOR DECISION – DD2180

### Title: Treasury Management – Consultancy Advice

#### Executive Summary:

MD1634 approved the GLA entering an arrangement to discharge treasury services to the London Borough of Haringey. MD 2156 approved 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 LB Haringey. Meanwhile, changes to local government investment regulations are strongly encouraging the development of an integrated approach to investment management and capital spending. This DD seeks authority to incur expenditure of up to £50,000 on consultancy advice to ensure the GLA's treasury function is fit for purpose for the new arrangements arising from the expansion of the service to London Boroughs and the need to integrate the approach to treasury investment with the GLA's wider investment activity.

#### Decision:

That the Executive Director of Resources approves expenditure of up to £50,000 on consultancy advice from Capita, including any of its contractors, to ensure the GLA's treasury function is fit for purpose for the new arrangements arising from the expansion of the service to London Boroughs.

#### AUTHORISING DIRECTOR

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

**Name:** Martin Clarke

**Position:** Executive Director of Resources

**Signature:** *M. D. Clarke*

**Date:** *13.11.17*

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE**

### **Decision required – supporting report**

#### **1. Introduction and background**

1.1 MD1634 approved the GLA entering an arrangement to discharge treasury services to the London Borough of Haringey. MD 2156 approved the GLA to contract directly with a Financial Services Market Act (FSMA) 2000 authorised firm for one year to provide certain services relating to the Group Investment Syndicate (GIS) and the treasury management services being provided by the GLA to the LB Haringey.

1.2 The GIS syndics have agreed to admit LB Haringey to the GIS and LB Haringey is in the process of agreeing to formally join the GIS. Arrangements to enter into a contract with the interim FSMA 2000 authorised firm are underway with a view that the first investment transactions through such a firm will take place before the end of this calendar year. The GLA is aware of significant interest and opportunities from other London Boroughs.

1.3 The GLA's treasury function has grown from managing c£50m of cash and no debt in 2010-11 to currently managing £3bn of cash and more than £4bn of borrowings in 2017-18. The review will establish whether the GLA's resources and systems are appropriate for the current level of activity and whether the function is fit for purpose and properly positioned to expand as envisaged.

1.4 The GLA has also, principally through its Housing and Land function, begun significant levels of direct investments in property and un-rated organisations, including the establishment of a revolving fund. Other direct investments are made through Regeneration and Green Funds. The review will assist the integration of these activities with the GLA's overall financial strategy, with the aim of maximising synergies and obtaining clear oversight of overall financial risk and return.

1.5 A detailed specification for the review is set out at the Appendix to this Decision. In summary, it is envisaged that the review would cover the:

- oversight and governance arrangements;
- required resourcing levels, and recruitment and retention strategies;
- integration of treasury and non-treasury investment strategies;
- compliance and assurance arrangements, including Treasury Management Practices; and
- systems requirements.

1.6 The GLA's existing Treasury Advisor, Capita, is well positioned to lead such a review but in view of the complexity and expertise required it is envisaged that Capita would sub-contract certain aspects of the specification to specialist companies. The existing Capita contract allows the GLA to draw down consultancy advice on treasury matters as required.

#### **2. Objectives and expected outcomes**

2.1 It is envisaged that the consultancy advice would help determine how the GLA could ensure that the treasury function is fit for purpose for both current activities and the new arrangements proposed.

### **3. Equality comments**

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

3.2 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**

None.

### **5. Financial comments**

5.1 The estimated costs of up to £50,000 can be contained within the overall Group Finance budget.

### **6. Legal comments**

6.1 Sections 1-2 of this report set out that the decision requested of the Director concerns the exercise of the Authority's general powers, falling within the Authority's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of economic development and wealth creation, social development or the promotion of the improvement of the environment in Greater London; and in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:

- Pay due regard to the principle that there should be quality of opportunity for all people; and
- Consult with appropriate bodies.

6.2 In taking the decisions requested the Director must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advice equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Director should have particular regard to section 3 (above) of this report.

### **7. Planned delivery approach and next steps**

<b>Activity</b>	<b>Timeline</b>
Delivery Start Date	Mid- November
Delivery End Date	Early December

**Appendices and supporting papers:**

Specification of consultancy advice required.

**Public access to information**

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

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

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

**Part 1 Deferral:**

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

If YES, for what reason:

Commercial negotiations are ongoing between the GLA and the FSMA authorised firm.

Until what date: 31 January 2018

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

**Is there a part 2 form – NO**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Tom Middleton has drafted this report in accordance with GLA procedures and confirms that:

✓

**Assistant Director/Head of Service:**

Tom Middleton has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

**Financial and Legal advice:**

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

**Corporate Investment Board:**

The Corporate Investment Board reviewed this proposal on 13 November, 2017.

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

M. J. Algo

Date

13.11.17

## **Appendix I – Consultancy Specifications**

### **Oversight and Governance Arrangements**

- Report on how the GLA can exercise effective control over the provider of FSMA regulated services, including implications for GLA personnel performing regulated activities, controlled functions, or holding directorships.
- Comment on adequacy and cost/benefit implications of current GIS governance as a contractual jointly controlled operation, versus a more conventional fund structure, such as an authorised contractual scheme.

### **Required Resourcing Levels, and Recruitment and Retention Strategies**

- Review the GLA's existing and anticipated scope of investment and borrowing activities and comment on appropriate human and other resources, with reference to comparable operations.
- Evaluate opportunities, costs and benefits of principal options for discharge of regulated services (subsidiary, employee mutual, JV, outsourcing) with reference to resourcing, recruitment and retention.

### **Integration of treasury and non-treasury investment strategies**

- Consider the GLA's overall asset allocation between core treasury investments, direct lending and property and identify opportunities for an integrated investment strategy.
- Evaluate the GLA existing and proposed arrangements for due diligence and evaluation of non-treasury investments and recommend enhancements and/or standardisation.

### **Compliance and Assurance Arrangements, including Treasury Management Practices**

- Identify the compliance requirements of the proposed structure of GLA providing wider ranging treasury and investment services, through FSMA authorised partners/subsidiaries as required, from the perspective of relevant stakeholders, including the FCA or other relevant regulators.
- Noting the secondment arrangement of GLA personnel to an FCA regulated entity, comment on and provide recommendations for maintaining appropriate separation of duties.
- Comment on delivery options for the various identified compliance requirements.

### **Systems Requirements**

- With reference to regulatory and other compliance requirements and in the context of the scale of risk, comment on appropriate systems and software for the GLA's current and proposed activities.