

Treasury Management Strategy Statement 2025/26

Report to:

Investment & Finance Board
Commissioner's Board
Fire Board
Audit Committee
London Fire Commissioner

Date:

by correspondence
12 March 2025
1 April 2025
28 May 2025

Report by:

Catharine Gregory, Assistant Director of Finance

Report classification:

For decision

For publication

Values met

Service
Integrity
Teamwork
Courage
Learning

I agree the recommended decision below.



Andy Roe
London Fire Commissioner

Date

**This decision was remotely
signed on 31 March 2025**

PART ONE

Non-confidential facts and advice to the decision-maker

Executive Summary

This report sets out the proposed Treasury Management Strategy Statement and borrowing requirements for 2025/26 and supporting documents.

Under Authority Financial Regulations, the Director for Corporate Services, being the statutory finance officer for the London Fire Commissioner (LFC), is required to report to the LFC on the Treasury Management Strategy Statement and Annual Investment Strategy it is proposed to adopt in the coming financial year. It is presented to the Commissioner's Board for review and to the LFC for approval.

In addition, the LFC is required by statutory regulation to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities, when carrying out its duties under Part 1 of the Local Government Act 2003. The Prudential Code requires the LFC to approve a range of specific Treasury Management indicators. The LFC meets the first prudential indicator in respect of treasury management by having adopted CIPFA's Treasury Management in the Public Services Code of Practice ("The TM Code"). The additional indicators are shown in the recommendations below.

The TM Code emphasises that responsibility for risk management and control lies within the LFC and cannot be delegated to any outside organisation. It also highlights that those charged with governance are also personally responsible for ensuring they have the necessary skills and training.

The proposed Annual Investment Strategy continues to take a risk averse approach to investment which gives priority to the security of funds over the rate of return. The TM Code advises that authorities should have regard to all ratings issued by the three main rating agencies considered alongside market and media information, and it is proposed that the LFC continues to use the current creditworthiness service from Mitsubishi UFG based on credit ratings from all three agencies. These ratings are based on past performance, but, by using a scoring system incorporating credit default swap rates, provide a forward-looking market view. Officers will, as before, monitor market and media intelligence to further inform their assessment of investment counterparties.

Guidance issued by the Secretary of State under section 21 (1A) of the Local Government Act 2003 requires the LFC to approve the proposed Minimum Revenue Provision Policy Statement for 2025/26 in advance of the year. The report also details the plans to borrow to fund the capital strategy.

Recommended decision

For the London Fire Commissioner

That the London Fire Commissioner:

1. approves the Treasury Management Strategy Statement for 2025/26, including the:
 - a. Treasury Management Policy Statement (Appendix 1)
 - b. Minimum Revenue Provision (MRP) Policy Statement (Appendix 2)
 - c. CIPFA Prudential Code Indicators and Treasury Management Limits (Appendix 3)
 - d. The Investment Strategy 2025/26 (Appendix 4)
 - e. Treasury Management Practices: Main Principles (Appendix 5)
2. notes and approves the borrowing requirement to support the capital programme listed in section 4 of this report, and also in the section titled "Future borrowing requirement" of the statutory requirements.
3. notes that current capital plans are contained within the current operational boundary and authorised limit, as per paragraph 3.12 of this report and Appendix 3, Section 4. However, based on current projections, there is a chance that these limits will be exceeded in 2026/27 - and therefore, will need revisiting in the 2025/26 iteration of this report, when more accurate information is available.

1 Introduction and background

- 1.1 The Treasury Management Strategy Statement ("TMSS"; "the Strategy") sets out the risk framework under which the authority's treasury management function will operate. By detailing the investment and debt instruments to be used during the year, the Strategy details the risk appetite of the Authority and how those risks will be managed.
- 1.2 The Treasury Management Strategy Statement is linked to the Capital Strategy, in that both documents detail the risks that the authority faces, but critically the Treasury Management Strategy Statement is focussed on the risks associated with the management of the organisation's cash flow and debt, whereas the Capital Strategy looks at capital investment and expenditure decision.

Treasury Management Strategy for 2025/26

- 1.3 Treasury management is defined by CIPFA 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 The suggested strategy for 2025/26 is based upon the treasury officers' views on interest rates, supplemented with market forecasts provided by the LFC's treasury advisor, Mitsubishi UFG. The strategy covers:

- Section 1: Introduction and background
- Section 2: Economic background (provided by Mitsubishi UFG)
- Section 3: Forecast treasury management position
- Section 4: Borrowing strategy
- Section 5: Capital expenditure
- Section 6: Investment strategy
- Section 7: Use of external treasury management advisor
- Section 8: Treasury training
- Section 9: Values comments
- Section 10: Equality comments
- Section 11: Other considerations
- Section 12: Financial comments
- Section 13: Legal comments

1.5 With the following appendices:

- Appendix 1: Treasury Management Policy Statement
- Appendix 2: Minimum Revenue Provision (MRP) Policy Statement
- Appendix 3: CIPFA Prudential Code Indicators and Treasury Management Limits
- Appendix 4: The Investment Strategy 2025/26
- Appendix 5: Treasury Management Practices: Main Principles

Statutory requirements

- 1.6** The Local Government Act 2003 ("the Act") and supporting regulations require the LFC to "have regard to" the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice to set prudential and treasury Indicators for the next three years, to ensure that the organisation's capital investment plans are affordable, prudent and sustainable.
- 1.7** The Act therefore requires the LFC to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (included in appendix 4 of this report); the Strategy sets out the organisation's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 1.8** In 2017, the Ministry of Housing Communities and Local Government (MHCLG) further updated government guidance on local government investments. CIPFA responded to these revisions by issuing an updated Code of Practice on Treasury Management and the Prudential Code in 2021.

CIPFA requirements

- 1.9** The CIPFA Code of Practice on Treasury Management has been adopted by the LFC. This strategy has been prepared in accordance with the revised December 2021 Code.
- 1.10** The LFC's adherence to the Prudential Code is monitored through the series of prudential indicators defined by CIPFA. Adherence to the CIPFA Prudential Code is a factor which informs the organisation's investment policy. The legal status of the Treasury Management Code is derived in England and Wales from regulations issued under the Local Government Act 2003. This includes statutory guidance on Local Government investments issued under section 15(1) (a) of the Act.

Prudential and Treasury Indicators for 2025/26 to 2027/28

- 1.11** Under Section 3 (2) of the Act and supporting regulations, the Mayor shall determine and keep under review how much it can afford to borrow. This amount is termed the "Affordable Borrowing Limit". In England this authorised limit represents the legislative limit specified in the Act and is one of the key prudential indicators identified by the CIPFA Code.
- 1.12** The organisation must have regard to the Prudential Code when setting the authorised limit which requires it to ensure that total capital investment remains within sustainable limits.
- 1.13** Whilst termed an affordable borrowing limit, the capital plans incorporate financing by both external borrowing and other forms of liability such as credit arrangements. The authorised limit is to be set on a rolling basis for the forthcoming financial year and two successive financial years.
- 1.14** Treasury limits and prudential indicators recommended by the Code and used by the LFC are noted in Appendix 3 of this report.
- 1.15** It should be noted that the prudential and treasury indicators in this report may be subject to change, dependent on decisions taken on the capital and revenue budgets, which are reported elsewhere on this agenda.

Risk management

- 1.16** In covering the above areas, as per its Treasury Management Policy Statement (Appendix 1), the LFC 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. Responsibility for risk management and control lies within the LFC and cannot be delegated to any outside organisation.
- 1.17** The key treasury management risks the LFC is exposed to are:
- affordability
 - credit and counterparty risk (security of investments)
 - liquidity risk
 - interest and market risk
 - legal and regulatory and fraud risk

- 1.18** These risks are discussed further in Appendix 5 (Treasury Management Practices: Main Principles).

The Treasury Management Code and governance arrangements

- 1.19** The LFC formally adopts The TM Code through the following provisions:
- a. The LFC will create and maintain as the basis for effective treasury management
 - Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities.

- Suitable Treasury Management Practices (TMPs), setting out the way the LFC will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
 - The content of the proposed policy statement and TMPs follow the recommendations contained in Sections 6 and 7 of the TM Code, subject only to amendment where necessary to reflect the circumstances of the LFC. Such amendments do not result in the LFC materially deviating from the Code's key principles.
- b. The LFC will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs
 - c. The LFC delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Commissioner's Board, and for the execution and administration of treasury management decisions to the Director for Corporate Services, who will act in accordance with the policy statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
 - d. The LFC nominates the Commissioner's Board to be responsible for ensuring effective scrutiny of the treasury management strategy and policies. All reports will be scrutinised by the Commissioner's Board prior to submission to the LFC.
 - e. Should there be a need to revise the Treasury Management Strategy; the Treasury Management Policy Statement; the Minimum Revenue Provision Policy Statement; the Prudential Code Indicators and Treasury Management Limits; the GIS Investment Strategy and/or the Treasury Management Practices at times other than those stated above, then these updates will be submitted to the Commissioner's Board for scrutiny and then submitted to the LFC for approval.
 - f. Should the Director for Corporate Services wish to depart in any material respect from the main principles of the TM Code, the reason should be disclosed, in advance, in a report to the LFC.

Environmental impact assessment

1.20 Treasury Management activity underpins the Council's finances and therefore supports projects and initiatives which seek to achieve the Council's zero carbon target.

Future borrowing requirement

1.21 The proposed capital budget contains significant capital investment across the organisation, including investment towards being carbon net zero by 2030. The scale of the investment will mean that the LFC will need to undertake external borrowing in the future and will not be able to rely on internal borrowing alone. Where possible, internal borrowing will remain the first option, due to the interest savings generated.

1.22 The overall forecast is for long-term borrowing to increase in future years from historically low levels (using previous large capital receipts/reserves). In terms of the LFC's borrowing strategy, there are three options:

- a. internal borrowing
- b. short- to medium-term borrowing
- c. long-term borrowing

1.23 The overall strategy is, therefore, for the authority to continue to use reserves and provisions to maximise internal borrowing, whilst seeking to rebalance the portfolio with more medium-term debt when there is a need to externally borrow. This must be done with a strong focus on achieving value for money on interest costs and balancing the risks to the overall debt portfolio over the long term.

1.24 The Treasury Management team will continue to monitor and manage the risk of each of the above borrowing options. At such time as the LFC needs to borrow, the debt market will be actively monitored and the borrowing strategy which delivers the optimum value for money will be chosen. The short-term advantage of internal and short-term borrowing will be weighed against the potential cost if long term borrowing is delayed.

1.25 This LFC will not borrow in advance of need. Any decision to borrow in advance in support of strategic and service delivery objectives will be in the context of achieving the best overall value for money, for example to minimise the risk of borrowing costs increasing in the future, and so that the LFC can ensure the security of such funds. In determining whether borrowing is undertaken in advance of need, the LFC will:

- ensure that there is a clear link between the capital programme and the maturity profile of the existing debt profile which supports taking funding in advance of need;
- ensure the ongoing revenue liabilities created, and implications for future budgets, have been considered;
- 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;
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use; and
- consider the impact of borrowing in advance temporarily (until required to finance capital expenditure) on investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks, given the controls in place to minimise them.

1.26 The forecast treasury management position in section 3 of this report shows the potential long-term borrowing requirements over the next three years.

2 Economic background (provided by Mitsubishi UFG)

2.1 Mitsubishi UFG ("MUFG", formerly trading as Link Group) has been appointed as treasury advisors to the GLA and the treasury management shared service participants. The information and commentary provided in this section are from MUFG.

2.2 MUFG provided the following forecasts on 10 February 2025. MUFG expect the Monetary Policy Committee (MPC) to reduce the bank rate during the second half of 2025 until 2028. Inflation pressures are expected to ease, which may allow for potential further reductions: however, the outlook is far from certain. The table below provides forecasts for Bank Rate, average earnings and PWLB certainty rates (gilt yields plus 0.80%).

MUFG Group interest rate view - 10 February 2025												
Mar 25	Jun 25	Sep 25	Dec 25	Mar 26	Jun 26	Sep 26	Dec 26	Mar 27	Jun 27	Sep 27	Dec 27	Mar 27
4.50	4.25	4.25	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50	3.50
4.50	4.30	4.30	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.50	3.50	3.50
4.40	4.20	4.20	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50	3.50	3.50
4.40	4.20	4.20	3.90	3.60	3.70	3.50	3.50	3.50	3.50	3.50	3.50	3.60
5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.40	4.30	4.20	4.20	4.10	4.00
5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.70	4.60	4.50	4.50	4.40	4.40
5.80	5.70	5.60	5.50	5.40	5.30	5.20	5.10	5.00	5.00	5.00	4.90	4.80
5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.70	4.70	4.60	4.50

2.3 MUFG note that there has been some general concern over the robustness of the Government's spending policies and the impact of the various tariff policies of President Trump on global inflation, whilst only recently the Bank of England provided forecasts for the Consumer Price Inflation measure to jump to 3.7% in Q3 2025 before falling below the 2% inflation target – albeit only in three years' time.

2.4 The Bank set out a distinctly gloomy backdrop for the economy, with GDP expected to grow only 0.75% in 2025 before improving to 1.50% in 2026 and 2027.

3 Forecast treasury management position

3.1 The LFC's forward treasury portfolio position is summarised in the following table:

Current treasury position				
	2024-25 estimate	2025-26 estimate	2026-27 estimate	2027-28 estimate
	£m	£m	£m	£m
<u>External borrowing</u>				
Long-term borrowing: PWLB	43.23	38.23	35.50	32.50
Long-term borrowing: GFF	0.00	6.00	12.00	18.20
Short-term borrowing: market loans	10.00	0.00	0.00	0.00
Total external borrowing (A)	53.23	44.23	47.50	50.70
<u>Other long-term liabilities</u>				
PFI liability	38.33	36.74	35.15	33.55
Finance lease liability	18.43	18.28	17.34	16.24
Total other long-term liabilities (B)	56.75	55.02	52.48	49.79
Total gross debt (A + B)	109.98	99.25	99.98	100.49
CFR	170.69	203.31	236.94	275.61
Less other long-term liabilities (B)	(56.75)	(55.02)	(52.48)	(49.79)
Underlying capital borrowing requirement (C)	113.94	148.29	184.46	225.82
Under/(Over) borrowing (C - A)	60.71	104.06	136.96	175.12
Investments at 31 March (D)	16.93	(39.92)	(72.12)	(109.68)
Total net borrowing (A - D)	36.30	84.15	119.62	160.38

3.2 This table shows external borrowing from the Public Works Loan Board (PWLB) and the Green Finance Fund (GFF). GFF is a low-cost debt financing facility which enables the LFC to move towards electric fire engine fleets.

3.3 "Investments at 31 March (D)" is the total of reserves and provisions, balances invested, and the working capital surplus, adjusted for over- or under-borrowing. Where this figure becomes negative (shown in brackets), this implies a need to borrow. These figures are explained in more detail below, in paragraph 5.3.

3.4 The maturity structure of the LFC's debt portfolio is as follows:

Limits for maturity structure of borrowing			
	Lower limit	Upper limit	As at March 2025
	%	%	%
Under 12 months	0	20	12
12 months and within 24 months	0	20	13
24 months and within 5 years	0	50	14
5 years and within 10 years	0	75	7
10 years and above	25	90	54

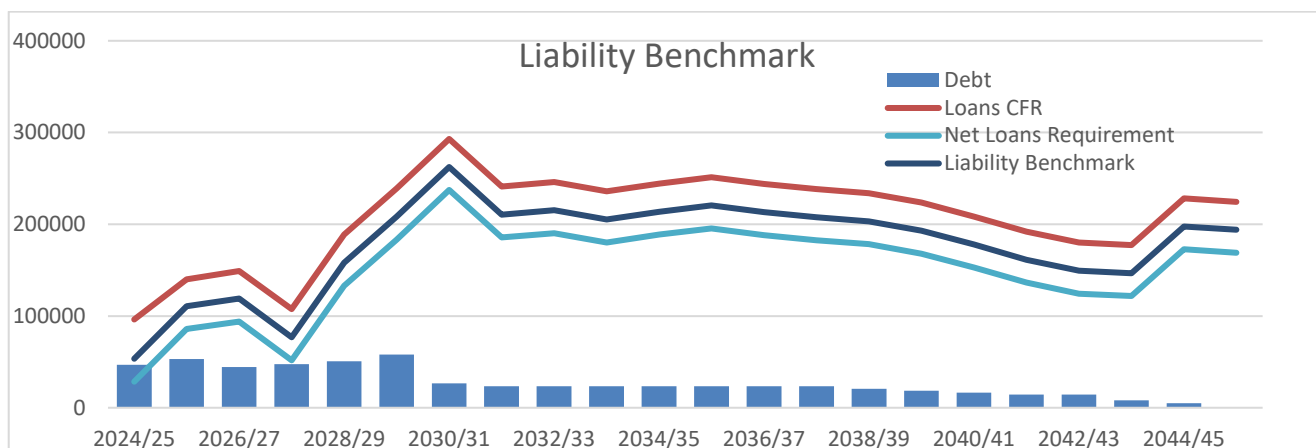
3.5 The upper and lower limits are set to ensure the LFC manages its refinancing risk in respect of its external borrowing portfolio. This is also a prudential indicator which aims to ensure the LFC debt remains within sustainable limits.

3.6 The Capital Financing Requirement (CFR) measures the organisation's underlying need to borrow or finance by other long-term liabilities for a capital purpose. It represents the amount of capital expenditure that has not yet been resourced absolutely, whether at the point of spend (by capital receipts, capital grants/contributions or from revenue income), or over the longer term by prudent Minimum Revenue Provision (MRP) or voluntary application of capital receipts for debt repayment and so forth. Alternatively, it provides a figure for the capital expenditure incurred by the LFC but not yet provided for.

3.7 . The CFR of the LFC as at 31 March 2025 is forecast to be £170.69m.

3.8 Within the set of prudential indicators there are a number of key indicators which ensure that the LFC operates its activities within well-defined limits. One of these is that the LFC needs to ensure that its gross borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current year and the next two financial years. This key prudential indicator is referred to as "gross debt and the capital financing requirement". It allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue purposes, except to cover short term cash flows. In making this comparison between gross debt and the CFR, CIPFA guidance provides that, if in any of these years, there is a reduction in the CFR, this reduction is ignored in estimating the cumulative increase in the CFR which is used for comparison with the gross external debt.

3.9 The following graph shows projections of the CFR and borrowing together with authorised limits and operational boundaries:



3.10 This shows the authorised borrowing limit and the operational boundary; the former is slightly higher than the latter, to allow for borrowing headroom.

3.11 The CFR is higher than gross debt for two reasons. Firstly, the CFR includes not only borrowing "proper", but the impact of finance leases, which are treated as if they were capital projects to be financed. Secondly, as referred to elsewhere, LFC is currently "under-borrowed" and has recently supported an element of its capital financing through the use of internal borrowing.

3.12 In previous years, the operational boundary has been static at £240.0m, comprising £170.0m for borrowing and £70.0m for finance leases, as described in the paragraph above. Current indications are that this figure will now need to increase to cover the capital programme going forward. The revised boundary is therefore set at, for each of the two elements, the greater of the current limit, and the rounded budgeted position. The workings behind this are detailed in Appendix 3, Section 4.

3.13 The Director for Corporate Services reports that the LFC complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans and the proposals in the LFC's budget report for 2025/26.

4 Borrowing strategy

Delegation and authorisation

4.1 The arrangements for borrowing, including the selection and the type and structure of debt instruments, are delegated to the Direct Corporate Services, provided no decision contravenes the limits set out in the prevailing TMSS.

4.2 On the basis of the above, the Director for Corporate Services is:

- authorised to approve borrowing by the LFC, for the purposes of financing capital expenditure and subject to the necessary statutory provisions, provided that the Authorised Limit, determined by the Mayor for the LFC, is not exceeded.

- authorised to borrow temporarily within the Authorised Limit, where this represents prudent management of the LFC's affairs.
- 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 LFC 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. The Commissioner's Board should be informed within agreed reporting intervals of any temporary borrowing.

4.3 All borrowing decisions should be reported to the Commissioner's Board at the first opportunity within the Treasury Management cycle.

4.4 Any borrowing will also be subject to further governance requirements where the interest costs for the borrowing exceed £150k.

Borrowing and risk

4.5 It is proposed that the LFC's approach to treasury management continues to be risk averse; borrowings will be taken on fixed rates from the Public Works Loan Board (PWLB) or from other approved sources of financing and following advice from GLA Group Treasury. Variable rate long term borrowing may only be undertaken where there are proportionate, dedicated income streams which would vary in accordance with any proposed variable rate instruments.

4.6 Officers will also consider the use of finance leases where it is demonstrated to be advantageous to the LFC to use such arrangements, for planned acquisition of non-fixed plant, equipment and/or machinery.

4.7 Against the background and the risks within economic forecast, caution will be adopted with the 2025/26 treasury operations. The Director for Corporate Services will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

Internal borrowing

4.8 When using cash balances to fund internal borrowing, the LFC acknowledges that this may reduce credit risk and short-term net financing costs. However, any decision to undertake internal borrowing will be tempered by the following considerations:

- the LFC must maintain enough liquidity to be certain of meeting existing borrowing and other obligations
- the measures set out in the investment strategy below substantially control credit risk
- the materiality of such risks should be considered in the light of the long-term financial consequences of sub-optimal borrowing decisions
- agreements with central government specifying levels of borrowing

4.9 The LFC is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt, as internal borrowing – the use of the LFC's existing resources (reserves, balances and cash flow) that have not yet been called upon – has been used as a temporary measure.

Short term borrowing

4.10 The LFC may borrow temporarily (i.e. for less than 12 months) to cover cash flow needs. Total borrowings will not exceed the authorised limit except possibly by an amount equal to any sum due to but not yet received by the LFC, as permitted by s5 of the Local Government Act 2003.

4.11 The LFC currently has no short-term borrowing.

Policy on borrowing in advance of need

4.12 The LFC 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 LFC can ensure the security of such funds.

4.13 Risks associated with any borrowing in advance of need will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

4.14 The LFC has not currently taken out any borrowing in advance of need.

Debt rescheduling

4.15 All rescheduling decisions will be reported to the Commissioner's Board at the first opportunity within the treasury management reporting cycle.

4.16 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 premiums in relation to achievable interest savings. This emphasises the importance of attempting to optimise maturity profiles at the point of entering into borrowing.

4.17 There are currently no plans to reschedule existing LFC debt.

5 Capital expenditure

5.1 The LFC maintains a low-risk appetite consistent with good stewardship of public funds. At the forefront of its thinking is the principle of security before liquidity, and liquidity before yield. Cash flow forecasts and prevailing market conditions determine the maximum possible prudent maturities for investments and credit considerations are used to select counterparties with whom to transact. Investments are managed in such a way as to make losses at the portfolio level extremely unlikely, while capturing the optimum return within these constraints.

5.2 LFC will continue to develop its investment risk methodologies, as part of the GLA Group arrangements, with regard to advice from external advisors, relevant developments in the market and academia, benchmarking techniques and approaches employed by the Credit Ratings Agencies. These agencies are currently Fitch, Moody's, and Standard and Poor's; and their credit ratings will be monitored on a daily basis, by GLA Group Treasury, with appropriate action taken when these ratings change).

5.3 The application of resources (capital receipts, reserves and so forth) to finance capital expenditure will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end investment balances:

Core funds and expected investment balances				
	2024-25 estimate	2025-26 estimate	2026-27 estimate	2027-28 estimate
	£m	£m	£m	£m
Fund balances/ reserves	42.80	29.30	30.00	30.60
Provisions	9.84	9.84	9.84	9.84
Other	0.00	0.00	0.00	0.00
Total core funds	52.64	39.14	39.84	40.44
Working capital surplus	25.00	25.00	25.00	25.00
Under/(Over) borrowing	60.71	104.06	136.96	175.12
Investments at 31 March	16.93	(39.92)	(72.12)	(109.68)

5.4 LFC will need to borrow in the short to medium term as reserves reduce (from £42.8m to £30.6m by the end of next year 2027-28) and the under-borrowing increases from £60.7m at the end of 2024-25 to £175.1m at the end of 2027-28.

5.5 The LFC short-term cash balances are managed by the GLA's subsidiary, London Treasury Limited (LTL) and third-party asset managers appointed from time to time, through the London Treasury Liquidity Fund Limited Partnership (LTLF). LTL is authorised and regulated by the Financial Conduct Authority. The investment strategy for this arrangement is included within Appendix 4 but is subject to the agreement of all participating authorities; the LFC Director for Corporate Services is authorised, having taken proper advice from Link or other suitably qualified advisors, to agree amendments to this, provided that the underlying exposures of any amended strategy do not breach the limits set out in Appendix 4. Further details of this strategy are set out in the following section 6, "Investment strategy".

6 Investment strategy

6.1 The investment strategy is considered and agreed by all Partners. A common approach permits maximum efficiency of the shared group service.

6.2 The 2025/26 investment strategy, including creditworthiness policy and permitted instruments, as agreed between the Partners, (The Director for Corporate Services is the Partner for LFC) is attached at Appendix 4. This effectively constitutes the LFC's Annual Investment Strategy, which is prepared and approved before the start of each financial year. Changes to the 2025/26 Investment strategy since the previous iteration have also been detailed in the Annual Investment Strategy in this appendix.

6.3 Variation between a Money Market Fund (MMF)'s list of approved counterparties and the approved counterparties of the LFC is permissible, at the discretion of the Director for Corporate Services, providing the MMF's own rating meets the criteria of Appendix 4.

Additionally, the Director of Corporate Services may from time to time instruct LTL to invest sums independently of its LTLF investment: for instance, if the LFC identifies balances which are available for longer-term investment, after proper consideration of expected future cash flows, as

at the time of investment. It is proposed that the LFC adopt an identical set of parameters for such investments as those detailed in Appendix 4, except that there shall be no requirement to maintain a weighted average maturity of no greater than 60 days. However, regard must always be given to the Treasury Management Limit "Limits for principal sums invested for periods longer than 365 days" (Appendix 3 section 7).

- 6.4** At the time of writing, there are no plans to invest for periods longer than one year in the LFC's own name, because the LFC does not expect to have core cash balances which permit such investment durations. The Treasury Management Limit "Limits for principal sums invested for periods longer than 365 days" is therefore set at zero.
- 6.5** Whilst the LFC sets its Annual Investment Strategy at the start of each financial year, this need not be a once-a-year event, and the initial investment strategy may be replaced by a revised Strategy, at any time during the year, on one or more occasions, subject to the approval of the LFC.
- 6.6** The table below provides a breakdown of the treasury management budget:

Treasury management budget				
	2024-25 estimate	2025-26 estimate	2026-27 estimate	2027-28 estimate
	£m	£m	£m	£m
Interest payable	2.2	1.8	4.1	6.8
Minimum Revenue Provision ("MRP")	13.3	15.7	21.2	25.3
Sub-total - costs	15.5	17.5	25.3	32.1
(Interest receivable)	(3.7)	(1.5)	(1.5)	(1.5)
Total net	11.8	16.0	23.8	30.6

- 6.7** Assumptions behind the 2025/26 budget are:
- average rates achievable on investments will be 4.50%
 - average rates payable on new borrowing will range from 4.90% to 5.80% (February 2025 rates)
 - the MRP charge is in line with the LFC's MRP policy

7 Use of external treasury management advisors

- 7.1** The LFC uses MUFG as its external treasury management advisor under a joint arrangement with the Greater London Authority. Whilst recognising the specialist skills and resources such advisors can provide, the GLA Group arrangement recognises that responsibility for treasury management decisions remains wholly with the organisation and will ensure that undue reliance is not placed upon external service providers. The LFC monitors and maintains the quality of this service by regular review and assessment as part of the GLA Group Treasury arrangements.
- 7.2** MUFG currently provide advice to the LFC as part of the GLA Group arrangements as follows:
- consultancy services to support treasury operations
 - attend two strategy meetings per annum to review the financial position having regard to its objectives, strategy, current financial circumstances, assets and liabilities

- interest rate forecast and advise on the formulation of suitable borrowing and investment strategies
- forecasts of movements in PWLB rates which affect the timing of funding with fixed rate debt, conversion of variable rate debt to fixed and the conversion of fixed rate debt to variable
- regular updates on economic and political changes which may impact on and require modification to borrowing and investment strategies
- advice on debt rescheduling, funding policy, volatility and maturity profile analysis
- advice and weekly reports on counterparty creditworthiness, including provision of prudent parameters established in the light of information from the UK's leading credit rating agencies, the credit default swaps market and various other analyst and associations
- reporting templates

7.3 The NatWest Bank plc is the LFC's banker and continues to provide a competitive service under an annual rolling contract.

7.4 The LFC does not directly employ any external fund managers, however, in the event of such an appointment, appointees will comply with this and subsequent Treasury Strategies. In addition, before any appointment is made, a fully costed appraisal would be performed and approval from the LFC obtained.

7.5 Service providers appointed by the LTLF will be procured in line with GLA group principles and any specifications set out in the LFC or other Partners' respective TMSS.

7.6 In addition to the GLA's wholly owned investment management subsidiary, London Treasury Limited (LTL), the LTLF uses two external fund managers, TwentyFour Asset Management and Prytania Asset Management, for the Fund's Residential Mortgage-Backed Securities (RMBS) investments. These and any future appointed managers must be authorised and regulated by the Financial Conduct Authority.

7.7 The LTLF uses State Street Bank and Trust as custodians of the any tradeable instruments (such as treasury bills). The investment policy is that any custodian (or sub-custodian, as may be the case) shall meet the credit criteria for 12-month investments as set out in the Investment Strategy (prior to Credit Default Swaps Market or other temporary adjustments). This restriction will apply to any custodian (or sub-custodian) appointed directly by the LFC.

8 Treasury training

8.1 The TM Code requires that Officers 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.

8.2 Senior officer training is available from the LFC's external treasury advisors (MUFG) and will be arranged as required.

8.3 LTL officers performing Financial Conduct Authority (FCA) regulated roles while seconded to LTL are obliged to undertake regulatory and technical training as required from time to time by LTL's Board.

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

- 8.5** LTL officers, supported by MUFG, maintain a regular training programme available to all participating in the shared service and arranged as required.
- 8.6** Notwithstanding the above, the training needs of treasury officers and those charged with decision-making are periodically reviewed.

9 Values comments

- 9.1** The LFC notes the Fire Standards Board requirements around adopting and embedding the Core Code of Ethics at an individual and corporate level. Following extensive engagement, the LFC has introduced Brigade values which build on and do not detract from the Code of Ethics. This report demonstrates the Brigade values as follows:
- i. **Service: we put the public first** – a properly considered and reviewed treasury management strategy is a key part of demonstrating good and responsible stewardship of public funds and helps maximise the resources available to deliver our services.
 - ii. **Integrity: we act with honesty** – this strategy is written with regard to the rules around treasury management set out by government and key bodies charged with the financial stewardship of public money. It represents the LFC's commitment to abide by those rules and to be transparent about the results of doing so.
 - iii. **Teamwork: we work together and include everyone** – by collaborating with our partners in the Greater London Assembly in the London Treasury Liquidity Fund, we achieve a better, more efficient and more profitable service for all partners.
 - iv. **Equity: we treat everyone fairly according to their needs** – not directly addressed in this report.
 - v. **Courage: we step up to the challenge** – effective treasury management is part of the way we step up to the challenge of constrained financial resources, by finding new ways to make them work for the good of service users.
 - vi. **Learning: we listen so that we can improve** – we embrace lessons learnt and use prior-year information to improve performance going forwards.

10 Equality comments

- 10.1** The LFC and the Deputy Mayor for Planning, Regeneration and the Fire Service are required to have due regard to the Public Sector Equality Duty (section 149 of the Equality Act 2010) when taking decisions. This in broad terms involves understanding the potential impact of policy and decisions on different people, taking this into account and then evidencing how decisions were reached.
- 10.2** It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.
- 10.3** The protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership (but only in respect of the requirements to have due

regard to the need to eliminate discrimination), race (ethnic or national origins, colour or nationality), religion or belief (including lack of belief), sex, and sexual orientation.

10.4 The Public Sector Equality Duty requires decision-takers in the exercise of all their functions, to have due regard to the need to:

- eliminate discrimination, harassment and victimisation and other prohibited conduct
- advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it
- encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

10.5 The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

10.6 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- tackle prejudice
- promote understanding.

10.7 An Equality Impact Assessment has not been completed as this report requires no decisions and only sets out the financial position of the LFC as part of the annual budgetary and audit processes of the LFC.

11 Other considerations

Workforce comments

11.1 No workforce implications have been identified therefore no formal consultation has been undertaken.

Sustainability comments

11.2 There are no direct sustainability implications arising from this report.

Procurement comments

11.3 There are no direct procurement implications arising directly from this report.

Communications comments

11.4 There are no direct communications implications arising directly from this report.

12 Financial comments

12.1 This report is prepared by the Assistant Director – Finance and, as such, financial comments have been incorporated into the report.

13 Legal comments

- 13.1** Under section 9 of the Policing and Crime Act 2017, the London Fire Commissioner ("the LFC") is established as a corporation sole with the Mayor appointing the occupant of that office. Under section 327D of the GLA Act 1999, as amended by the Policing and Crime Act 2017, the Mayor may issue to the LFC specific or general directions as to the manner in which the holder of that office is to exercise his or her functions.
- 13.2** By direction dated 1 April 2018, the Mayor set out those matters, for which the LFC would require the prior approval of either the Mayor or the Deputy Mayor for Fire and Resilience (the "Deputy Mayor"). The subject of this report is considered to be novel, contentious or repercussive in nature as it sets out the Treasury Management Strategy Statement for the LFC, therefore consultation with the Deputy Mayor is required.
- 13.3** This report asks the LFC to note the stated position of the financial accounting records prior to publication, as required by legislation and guidance, referred to in more detail in the body of this report.
- 13.4** Under section 127 of the Greater London Authority Act 1999 the LFC is required to make arrangements for the proper administration of its financial affairs. The Director for Corporate Services, as the statutory Chief Finance Officer, under the same legislative section, is the officer who has responsibility for the administration of those affairs.
- 13.5** The LFC has discretion when making arrangements for the administration of its financial affairs. It must however act reasonably and with regard to all relevant considerations. This includes consideration of the professional advice of its Chief Financial Officer and the advice and stated expectations of government and appropriate professional and regulatory bodies as set out in the report.
- 13.6** The LFC must follow the requirements of Part 1 of the Local Government Act 2003 ("2003 Act") which makes provision for, amongst other matters, capital finance and accounts. Section 15 of the 2003 Act also requires the LFC to have regard to guidance issued by the Secretary of State, or guidance the Secretary of State may by regulations specify.
- 13.7** Section 2 of the 2003 Act states that the LFC may not borrow money if doing so would result in a breach of the limit for the time being determined for it by the Mayor of London under Section 3 of the 2003 Act.
- 13.8** Regulation 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (2003 Regulations) requires that the LFC, in carrying out its functions under Part 1 of the 2003 Act, shall have regard to the code of practice contained in the document entitled "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" published by CIPFA, as amended or reissued from time to time.
- 13.9** Regulation 2 of the 2003 Regulations requires the Mayor of London to have regard to the "Prudential Code for Capital Finance in Local Authorities" when determining how much money the LFC can afford to borrow and to consult the LFC in respect of how much money the LFC can afford to borrow.

- 13.10** Under section 15 of the 2003 Act, the LFC is also required to have regard to the Ministry of Housing, Communities & Local Government's Guidance on Local Government Investments and Minimum Revenue Provision.
- 13.11** The LFC's Scheme of Governance delegates responsibility for the execution and administration of Treasury Management decisions to the LFC's Director for Corporate Services who will act in accordance with the LFC's Policy Statement on Treasury Management Activities and Treasury Management Practices and CIPFA's "Standard of Professional Practice on Treasury Management".
- 13.12** The Director for Corporate Services must, in accordance with part 6, paragraph 20 of the LFC's Scheme of Governance, produce annually a Treasury Management Strategy setting out the requirements for the forthcoming year and the proposals to meet them, for approval by the Commissioner.
- 13.13** This report and its appendices fulfil the above statutory and LFC Scheme of Governance requirements.

List of appendices (provided by London Treasury Limited)

Appendix	Title	Open or confidential*
1	Treasury Management Policy Statement	No protective marking
2	Minimum Revenue Provision (MRP) Policy Statement	No protective marking
3	CIPFA Prudential Code Indicators and Treasury Management Limits	No protective marking
4	The Investment Strategy 2025/26	No protective marking
5	Treasury Management Practices: Main Principles	No protective marking

Part two confidentiality

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

Is there a Part Two form: NO

Appendix 1: Treasury Management Policy Statement

1. Policy Statement

- 1.1 This policy statement is in the form recommended by the CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes, Section 6.
- i. The LFC defines its treasury management activities as:

“The management of the LFC’s 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”.
 - ii. The LFC 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 LFC, and any financial instruments entered into to manage those risks.
 - iii. The LFC acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Appendix 2: Minimum Revenue Provision (MRP) Policy Statement

1. Policy Statement

- 1.1 MRP is the amount out of revenue funding set aside each year as a provision for debt i.e. the provision in respect of capital expenditure financed by borrowing or credit arrangements.
- 1.2 Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) provides that for the financial year 2007/08 and subsequent financial years, the detailed MRP calculation is to be replaced with the requirement that:
 - 1.3 'A Local Authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent'
 - 1.4 The guidance also recommends that the annual MRP Policy is presented to the LFC for approval before the start of the financial year to which it relates. Any in-year changes must also be submitted to the LFC for approval.
 - 1.5 The recommended statement for LFC is set out below:
 - i. The major proportion of the MRP for 2025/26 will relate to the more historic debt liability that will continue to be charged at the rate of 4%, in accordance with option 1 of the guidance. Certain expenditure reflected within the debt liability as at 31 March 2025 will under delegated powers be subject to MRP under option 3, which will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment of a building, will be related to the estimated life of that building.
 - ii. Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the LFC. However, the LFC reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.
 - iii. As some types of capital expenditure incurred by the LFC are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

Appendix 3: CIPFA Prudential Code Indicators and Treasury Management Limits

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 also has 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
 - Treasury Management
- 1.4 To ensure compliance with the Prudential Code in relation to the above elements, the LFC is required to set and monitor a number of Prudential Indicators. The setting of these Prudential Indicators is a circular rather than a linear process. For example, the level of external debt will follow on from the LFC's capital plans, revenue forecasts and treasury management strategy. However, if initial estimates would result in outcomes that would not be affordable or prudent, then plans for capital and/or revenue are reconsidered.
- 1.5 Prudential Indicators and Treasury Management Limits must be approved by the LFC and any subsequent changes to these Indicators and Limits must also be approved by the LFC.
- 1.6 These Prudential Indicators are set out below and reviewed for compliance.

2. Capital Expenditure

2.1 Capital Expenditure

- 2.1.1 Capital expenditure results from the approved capital spending plan and proposed borrowing limits. It is the key driver of Treasury Management activity.
- 2.1.2 The table below summarises the capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Table 6: Capital Expenditure	TMSS Forecast to 31 March 2025	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate
Total Capital Expenditure	£25.2m	£50.7m	£57.1m	£66.0m

Financed by:

Capital receipts	£0.0m	£0.0m	£0.0m	£0.0m
Capital Grants	£1.7m	£0.6m	£0.2m	£0.0m
Reserves	£0.3m	£0.00m	£0.00m	£0.00m
Net financing need for the year	£23.3m	£50.7m	£57.1m	£66.0m

*The capital programme for future years and use of capital receipts is addressed in the 2025/26 budget report.

2.2. Capital Financing Requirement

2.2.1 The capital financing requirement is an indication of the underlying need to borrow for capital purposes. It is the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resource.

2.2.2 This borrowing is not associated with particular items or types of capital expenditure.

Table 7: Capital Financing Requirement (CFR)	TMSS Forecast to 31st March 2025	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate
Total CFR	£170.7m	£203.3m	£236.9m	£275.6m
Movement in CFR	£10.1m	£32.6m	£33.6m	£38.7m

Movement in CFR represented by

Net financing need for the year (see table 6: Capital Expenditure)	£23.3m	£50.1m	£56.9m	£66.0m
Less Capital receipts to repay borrowing	£0.00m	£0.00m	£0.00m	£0.00m
Less MRP/VRP* and other financing movements	(£13.2m)	(£17.5m)	(£23.3m)	(£27.3m)
Movement in CFR	£10.1m	£32.6m	£33.6m	£38.7m

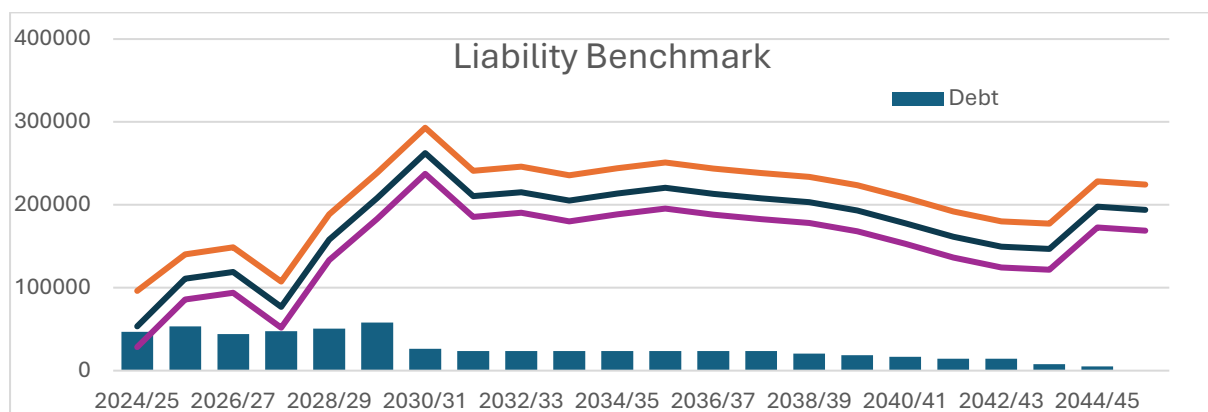
*The MRP will include PFI/Finance lease annual principal payments

3. Liability Benchmark

3.1.1 The Authority is required to estimate and measure the forthcoming financial year and the following two financial years, as a minimum using the Liability Benchmark model.

3.1.2 There are four components to the LB: -

- a) **Existing loan debt outstanding:** the organisation's existing loans that are still outstanding on future years
- b) **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- c) **Net loans requirement:** this shows the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- d) **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short term liquidity allowance.



3.1.3 The liability benchmark graph shows a forecast of the external borrowing required to meet current approved prudential borrowing, when the Authority adopts a net book approach to treasury management. This involves netting down borrowing and investments while maintaining an appropriate level of treasury investments for liquidity purposes in order to reduce the treasury risks from running debt and investment portfolios at the same time.

3.1.4 The light blue line shows the net loan requirement - it is this line that CIPFA recommends as the optimum borrowing position. From 2025/26 the LFC require significant borrowing requirements to fund its capital schemes which peaks during 2030/31.

4. External Debt Prudential Indicators

4.1 Authorised Limit for External Debt

- 4.1.1 The Authorised limit is the expected maximum borrowing needed with some headroom for unexpected developments such as unusual cash movements.
- 4.1.2 For the purposes of the Prudential Code, borrowing is distinguished from other long-term liabilities.
- 4.1.3 The Authorised limit is the statutory limit that is determined, by the Mayor in consultation with the Assembly, under section 3 (1) of the Local Government Act 2003. It is intended to be an absolute ceiling which cannot be exceeded, except as provided under section 5 of the Local Government Act 2003, where payments expected but not yet received can temporarily result in the limit being exceeded, provided the original setting of the limit had not taken into account any delay in receipt of the payment.

Table 8: Authorised Limit for External Debt	2024-25 Authorised Limit	Estimate 2025-26	Estimate 2026-27	Estimate 2027-28
Borrowing	£175.00m	£175.00m	£196.00m	£243.00m
Other long term liabilities	£70.00m	£70.00m	£70.00m	£70.00m
Total	£245.00m	£245.00m	£266.00m	£313.00m

- 4.1.4 This limit is consistent with the LFC's view on current and future affordability, as advised to the Mayor in the course of consultation.
- ##### 4.2 Operational Boundary for External Debt
- 4.2.1 The operational boundary is based on the same estimates as the authorised limit. However, it reflects an estimate of the most likely prudent but not worst-case scenario. It equates to the maximum level of external debt under the capital spending plans approved by the Mayor and excludes the headroom included within the authorised limit.
- 4.2.2 The Operational Boundary is set as a warning signal that external debt has reached a level nearing the Authorised limit and must be monitored carefully. It is probably 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.

Table 9: Operational Boundary	2024-25 Operational Boundary	Estimate 2025-26	Estimate 2026-27	Estimate 2027-28
Borrowing	£170.00m	£170.00m	£191.00m	£238.00m
Other long term liabilities	£70.00m	£70.00m	£70.00m	£70.00m
Total	£240.00m	£240.00m	£261.00m	£308.00m

4.2.3 This limit is consistent with the LFC's view on current and future affordability, as advised to the Mayor in the course of consultation.

4.3 Gross Debt and the Capital Financing Requirement

4.3.1 This is a key indicator of prudence seeking to identify whether or not a Local Authority's financial strategy is prudent and sustainable by measuring the extent to which a Local Authority is using borrowing to fund revenue expenditure in the short and medium term. Since financing costs have to be repaid from revenue, borrowing to fund revenue expenditure may be affordable in the short term, but not in the medium term. It therefore follows that in the medium-term borrowing should only be funding capital expenditure and this indicator seeks to check that this is so, by identifying 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. In making this comparison between gross debt and the CFR, CIPFA guidance provides that, if in any of these years, there is a reduction in the CFR, this reduction is ignored in estimating the cumulative increase in the CFR which is used for comparison with the gross external debt.

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

Table 10: Gross Debt and Capital Finance Requirement	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate
Gross Debt at 31 March 2025	£109.98m	£99.25m	£99.98m	£100.49m
Capital Financing Requirement	£170.69m	£203.31m	£236.94m	£275.61m

5. **Affordability Prudential Indicators**

5.1 Ratio of Financing Costs to Net Revenue Stream

5.1.1 This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream

Table 11: Financing Costs to Net Revenue Stream	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate
Total	2%	3%	4%

6. Treasury Management Prudential Indicator

6.1 The LFC has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

7. Treasury Management Limits on Activity

7.1 Limits for Maturity Structure of Borrowing

7.1.1 Local Authorities are exposed to the risk of having to refinance debt at a time in the future when interest rates may be volatile or uncertain. The maturity structure of borrowing indicator is designed to assist Authorities in avoiding large concentrations of debt that has the same maturity structure and would therefore need to be replaced at the same time. The indicator is calculated as the amount of projected borrowing that is maturing in each period expressed as a percentage of total projected borrowing. For each maturity period an upper and lower limit is set.

7.1.2 The maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment. Where the lender has the right to increase the interest rate payable without limit, such as in a LOBO loan, the maturity date will be deemed to be the next call date.

7.1.3 The maturity structure of borrowing should not deviate from the liability benchmark by more than 25% in any one financial year.

7.2.1 This indicator seeks to contain the risk inherent in the maturity structure of a Local 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.

7.2.2 Under this indicator the Local Authority is therefore required to set an upper limit for each financial year period for the maturing of its long-term investment

Table 12: Maximum Principal sums invested > 364 days		
2025/26	2026/27	2027/28
£0m	£0m	£0m

7.2.3 This limit does not apply to externally managed funds or to pooled monies within LTLF.

Appendix 4: The Investment Strategy 2025/26

1. Background

- 1.1. This document sets out the investment strategy for the London Treasury Liquidity Fund (LTLF) for the financial year 2025-26.

2. Strategic Asset Allocation

- 2.1. The proposed strategic asset allocation for the investment strategy is as follows:

Asset type		Allocation	Gross expected return
Core liquidity WAL ≤ 60 days*	Overnight liquidity	10%	SONIA
	Short-term deposits or investment grade debt	40%	SONIA
Medium-term	RMBS Expected WAL ≤ 3.5 years	35%	SONIA + 30bps
	Strategic lending Expected WAL ≤ 5 years	5%	SONIA + 200bps
Long-term	Other strategic investments	10%	SONIA + 300bps
Total		100%	SONIA + 50bps

Glossary

RMBS:	Residential Mortgage-Backed Securities
SONIA:	Sterling Overnight Index Average rate
WAL:	Weighted Average Life
Gross expected return:	Expected return before fees and expenses incurred directly by LTLF

*Measured as a seven-day rolling average

- 2.2. LTLF has the following objectives and risk profile:

Security of Capital

The portfolio 95% VaR (value at risk) should not exceed 2%.

The VaR will be assessed at least semi-annually using appropriate professional advice.

Liquidity

LTLF aims to meet all properly constituted redemption requests from its Limited Partners.

Yield

LTLF targets a net return, after fees and expenses, of SONIA + 40bps over a rolling three-year period. This yield target is used as the comparator benchmark for LTLF's performance assessment and analysis.

3. Counterparty and Investment Limits

- 3.1. Table 1 sets out the range of specified and non-specified investments permitted for LTLF. Specified and non-specified investments are as defined in the Statutory Guidance on Local Government Investments issued by the Ministry of Housing, Communities and Local Government under the Local Government Act 2003.

The following key applies:

S = Specified (These are sterling investments with high credit quality (see Table 3) 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 lower risk assets where the possibility of loss of principal or investment income is deemed negligible. The instruments and associated credit criteria to be used are set out in Table 1.)

NS = Non-Specified (Non-specified investments are any other type of investment that do not meet the criteria to be specified investments. They normally offer the prospect of higher returns but carry a higher risk.)

- 3.2. LTLF will make best efforts to maintain at least 50% of all investments (or underlying investments) in the form of specified investments.

Table 13

Investment type	Eligibility criteria	≤ 1 year to maturity at time of investment	> 1 year to maturity at time of investment	Maximum total exposure (see 3.3)
Senior Unsecured Debt, e.g. <ul style="list-style-type: none"> • Deposits • Call Accounts • Notice Accounts • Certificates of Deposit • Loans • Commercial Paper • UK Gilts and T-Bills • All other senior unsecured bonds 	<p>Issuer (and security where separately rated) Investment Grade (IG) defined per Table 14</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 Table 13</p>	<p>S</p> <p>(NS if not denominated in sterling)</p>	NS	Aggregate 100%, individual limits determined by Table 14
Money Market Funds	<p>Fitch AAA_{mmf} or equivalent from other agencies per Table 14</p> <p>Daily liquidity</p>	S	N/A	<p>100%</p> <p>Not more than 20% per money market fund</p>
Other Collective Investment Schemes e.g. Enhanced Cash Funds	Fitch AAA _f or equivalent from other agencies per Table 14	NS	N/A	20%
Covered Bonds	Bond rating Fitch AA ₊ _{sf}	NS	NS	20%

Investment type	Eligibility criteria	≤ 1 year to maturity at time of investment	> 1 year to maturity at time of investment	Maximum total exposure (see 3.3)
	<p>or equivalent from other agencies per Table 14</p> <p>AND</p> <p>Issuer rated Fitch A- or above or equivalent from other agencies per Table 14</p>			
Repurchase Agreements (Repo)	<p>Counterparty meets senior unsecured debt criteria AND proposed collateral (min. 100%) itself meets permitted investment criteria</p> <p>OR</p> <p>Collateralisation is >102% with UK Gilts or T-Bills</p>	<p>S – UK Gilts or T-Bills AND counterparty meets senior unsecured debt criteria</p> <p>NS – other</p>	<i>Not permitted</i>	<p>S – 100%</p> <p>NS – 20%, and not more than 10% with counterparties not meeting senior unsecured debt criteria</p>
Residential Mortgage-Backed Securities (RMBS)	See Section 5	NS	NS	35%
Medium-Term Strategic Lending	See Section 6	NS	NS	5%
Other Strategic Investments	See Section 7	NS	NS	10%

3.3. LTLF's assets under management ("AUM") can vary in the short-term as its Limited Partners subscribe and redeem their treasury funds in the normal course of business.

3.4. For short-term core liquidity assets, exposure is measured against LTLF's AUM on the day.

- 3.5. For medium and long-term assets, LTLF measures exposure against the forecast average daily AUM for the year ahead (“Forecast AUM”) based on forecast cashflows provided by its Limited Partners. The Forecast AUM is used to fix cash limits for the quarter ahead with such limits being recalculated at least quarterly. If revised forecast cashflows are received during a quarter that adjust the Forecast AUM by more than 20%, then new cash limits will be set during that quarter.
4. Credit Ratings and Investment Limits
- 4.1. Maximum direct exposures to non-UK financial institutions apply by country, based on the relevant sovereign ratings outlined in the table below:

Table 14 – Country Limits

Maximum Aggregate Exposure (%)	Fitch Sovereign Rating	Moody’s Sovereign Rating	S&P Sovereign Rating
25	AAA	Aaa	AAA
15	AA+	Aa1	AA+
5	A	A2	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 LTLF’s portfolio managers.

4.2. Table 15 sets out the range of investment grade ratings used by LTLF and its portfolio managers.

Table 15 – 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 _{sf}		Aaa (sf)		AAA (sf)	
AA+ _{sf}		Aa1(sf)		AA+ (sf)	
AA _{sf}		Aa2 (sf)		AA (sf)	
Money Market Fund Ratings					
Fitch		Moody's		S&P	
AAA _{mmf}		Aaa-mf		AAA _m	
Other Permitted Fund Ratings					
Fitch		Moody's		S&P	
AAA _f		Aaa-bf		AAA _f	

- 4.3. For core liquidity investments, lower ratings are balanced by higher ones in order to maintain an overall credit risk on rated instruments that is no greater than a 12-month deposit with an 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). The PCF must remain below 5 and no single instrument may exceed a credit factor of 10.

Table 16 – Credit Factors

Credit Factors based on Credit/Issuer Default Rating (Fitch and Fitch Equivalents)									
Use instrument rating or if not rated, rating of Issuer									
Days	AAA	AA+	AA	AA–	A+	A	A–	BBB+	BBB
O/N	0.01	0.01	0.01	0.01	0.02	0.03	0.04	0.07	0.10
2-7	0.02	0.04	0.06	0.10	0.15	0.20	0.30	0.50	0.80
8-30	0.10	0.15	0.25	0.40	0.60	0.75	1.30	2.10	3.50
31-60	0.20	0.30	0.50	0.80	1.20	1.50	2.60	4.20	7.00
61-90	0.25	0.50	0.75	1.25	1.50	2.50	5.00	7.50	10.00
91-120	0.35	0.65	1.00	1.50	2.30	3.30	6.60	10.00	13.50
121-150	0.40	0.80	1.25	2.10	2.90	4.20	8.30	12.50	16.50
151-180	0.50	1.00	1.50	2.50	3.50	5.00	10.00	15.00	20.00
181-210	0.60	1.20	1.75	3.00	4.00	5.80	11.70	17.50	23.50
211-240	0.70	1.30	2.00	3.30	4.70	6.60	13.30	20.00	27.00
241-270	0.75	1.50	2.25	3.75	5.25	7.50	15.00	22.50	30.00
271-300	0.80	1.70	2.50	4.20	5.80	8.30	16.70	25.00	33.50
301-330	0.90	1.85	2.75	4.60	6.50	9.20	18.50	27.50	37.00
331-397	1.00	2.00	3.00	5.00	7.00	10.00	20.00	30.00	40.00
398-730	2.70	5.30	8.00	13.00	19.00	27.00	43.00	69.00	106.00

- 4.4. 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 the long-term UK Sovereign rating, reflecting the UK's highly centralised and interdependent public finance regime.

- 4.5. Exposure limits to individual counterparties are determined by the colour bands assigned under the Colour Banding Methodology supplied by MUFG Corporate Markets (previously known as Link Treasury Services).

Table 17 – Concentration Limits

Cash Exposure Limits – Applied to Individual Counterparties		
Band	Overnight	> 1 day
UK Sovereign (see 4.7)	100%	100%
UK Local Authorities (see 4.8)	10%	10%
Yellow	20%	20%
Purple	20%	15%
Orange	15%	15%
Red	15%	10%
Green	10%	5%
No Colour	5%	5%

- 4.6. The bands above are calculated based on a range of credit ratings data, including published rating watches and outlooks.
- 4.7. Exposure to an individual counterparty in the UK Sovereign band has been set at 100% to cater for a severe market disruption scenario when all funds might be best placed with a UK Government institution.
- 4.8. Notwithstanding their UK Sovereign status, Local Authorities' cashflows may be temporarily stressed. Following the principles of good portfolio management and diversification, cash exposure to an individual Local Authority is limited to 10% of LTLF's AUM.
5. Residential Mortgage-Backed Securities (RMBS)
- 5.1. As set out in paragraph 2.1, up to 35% of LTLF's investment portfolio may be invested in RMBS.
- 5.2. Except as set out in paragraph 5.3, the RMBS allocation is to be invested in Senior UK Prime or Buy-to-Let RMBS with a Fitch credit rating of AA⁺_{sf} or above (or equivalent rating from other agencies per Table 3).
- 5.3. The RMBS allocation may also be invested in higher yielding Senior or Second-Pay UK Prime or Buy-to-Let RMBS with a Fitch credit rating of AA_{sf} (or equivalent rating from other agencies per Table 3) provided that the total investment in the higher-yielding AA_{sf} rated RMBS does not exceed 5% of LTLF's investment portfolio.
- 5.4. The expected WAL of the RMBS portfolio will not exceed 3.5 years.

6. Medium-Term Strategic Lending

- 6.1. Medium-term strategic lending is a portfolio of lending or financing transactions seeking to earn higher returns than the core liquidity or RMBS portfolios but with a low risk of capital impairment as assessed by the portfolio manager. The portfolio focusses on individual direct transactions, but fund investments with a similar strategy may also be used.
- 6.2. Such opportunities may involve situations where market capacity may be limited or restricted despite ample security being available or where flexibility is sought by the borrower e.g. around early repayment without penalty. An example transaction would be the provision of secured loan finance to an investment fund.

Gross expected return	SONIA + 200bps
Concentration risk	No individual medium-term strategic lending investment to exceed 3% of LTLF's Forecast AUM at the point of commitment

- 6.3. The expected WAL of medium-term strategic lending will not exceed 5 years.
- 6.4. Medium-term strategic lending will be secured on assets or cashflows except where the borrower is (or is guaranteed by) an investment grade counterparty (Fitch BBB or above, or equivalent rating from other agencies per Table 15) or a public body with credible sovereign support.

7. Other Strategic Investments

- 7.1. In general terms, the other strategic investments allocation is seeking returns similar to those expected of a well-funded institutional pension fund.

Gross expected return	SONIA + 300bps
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- 7.2. The other strategic investments allocation will be deployed on a best ideas basis across a range of asset classes, seeking investments anticipated to achieve the expected return and demonstrate a level of volatility that will keep the overall VaR within the limit set in paragraph 2.2.
- 7.3. The following limits will apply to the other strategic investments allocation:

Criteria	Limit
Overall portfolio volatility	95% VaR \leq 2%
Concentration risk	No individual other strategic investment to exceed 3% of LTLF's Forecast AUM at the point of commitment
Sector diversification	
Infrastructure (debt and equity)	< 50% of other strategic investments allocation
Real estate (debt and equity)	< 50% of other strategic investments allocation
SME (debt and equity)	< 50% of other strategic investments allocation
Alternative investment strategies, other debt and equity (public and private)	< 50% of other strategic investments allocation

7.4. LTLF will not directly hold land or property.

7.5. While the other strategic investments allocation is made up of longer term investments, liquidity remains important. Investments will be managed to ensure a regular flow of capital distributions, and where funds lack contractual redemption windows or other clear options to exit, the expected final maturity dates will be appropriately diversified.

Investments capable of redemption or sale on a recognised market within 12 months plus expected capital distributions from other strategic investments within 12 months	> 25% of other strategic investments allocation
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7.6. London Treasury Limited (LTL) may seek the approval of the Alternative Investment Fund Manager (AIFM) and the Limited Partners' Advisory Committee (LPAC) of LTLF in relation to new investment opportunities under the medium-term strategic lending and other strategic investments allocations, where such new investment opportunities are in a new fund or in a new product (refer to Reserved Investment Decisions in the amended and restated limited partnership agreement).

8. Hedging

- 8.1. Core liquidity investments may be made in foreign currency, provided that the net return after the cost of hedging exceeds or matches investments of equivalent duration with counterparties of similar quality issued in sterling and that the investment provides useful diversification. Such investments must always be fully hedged into sterling as soon as practicable to reduce the risk of crystallised losses from short-term currency movements.
- 8.2. Investments denominated in foreign currency may be made under the medium-term strategic lending and other strategic investments allocations, provided that any currency risk is captured in the regular VaR analysis of LTLF and where necessary or desirable, such investments are hedged into sterling within the investment itself or with an overlay, with the related terms and level of hedging to be determined by LTL after consultation with the LPAC.
- 8.3. LTLF's portfolio managers undertaking hedging will be required to maintain appropriate policies on the use of hedging instruments, which must provide that any credit or liquidity risk arising from such instruments is limited to counterparties that meet the criteria of LTLF's core liquidity allocation.
- 8.4. The denomination of Limited Partners' investment in LTLF will always be sterling.

9. Investment Limit Exceptions

- 9.1. Any active exception (i.e. an exception due to an action by a portfolio manager) to the investment limits set out in the investment strategy requires the prior approval of the AIFM and the LPAC.
- 9.2. Where passive exceptions (i.e. exceptions due to changes in the value of the portfolio) to the investment limits set out in the investment strategy occur, they will be reported to the Investment Committee of LTL and to the AIFM. Any rebalancing of the portfolio in the event of passive exceptions will be at the discretion of the Chief Investment Officer of LTL (or such officer's designated deputy, in cases of absence).

10. Environmental Social and Governance (ESG) Considerations

- 10.1. LTLF's investment portfolio is managed in accordance with the GLA Group Responsible Investment Policy.
- 10.2. LTLF will monitor and report annually on the ESG status and impact of its investments and counterparties.

Appendix 5: 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 TMPs: Main Principles follow the wording recommended by the latest edition of the CIPFA Treasury Management Code.
- 1.2 TMPs: Main Principles are supported by TMPs: Schedules, which provide specific details of the systems and routines employed and the records to be maintained to deliver the TMPs: Main Principles. These Schedules are maintained and updated as necessary, being operational procedures and forming an integral part of the Authority's treasury management manual.
- 1.3 Approval and monitoring of TMPs is a matter for local decision. As such the TMPs: Principles will be approved by the Authority and monitored by the Director of Corporate Services and annually reviewed by the Authority before the start of the year.
- 1.4 TMPs: Schedules will be approved, monitored and annually reviewed by the Director of Corporate Services.
- 1.5 Scrutiny of the approval and monitoring of TMPs will be performed by the Budget and Performance Committee following recommendations by the Director of Corporate Services.

2 TMP1 RISK MANAGEMENT

2.1 General statement

- 2.1.1 The Director of Corporate Services will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Authority's objectives in this respect, all in accordance with the procedures set out in TMP6 'Reporting requirements and management information arrangements'. In addition, any relevant Environmental, Social and Governance (ESG) factors influencing the Authority's Investment Strategy will also be considered.
- 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 Director of Corporate Services 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 Director of Corporate Services also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which the Authority may borrow, or with whom it may enter into other financing arrangements.

2.3 Liquidity risk management

2.3.1 The Director of Corporate Services 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 it which are necessary for the achievement of its business /service objectives.

2.3.2 The Director of Corporate Services will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

2.4 Interest rate risk management

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

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

2.5 Exchange rate risk management

2.5.1 The Director of Corporate Services will manage its exposure to fluctuations in exchange rates, so as to minimise any detrimental impact on its budgeted income/expenditure levels.

2.6 Refinancing risk management

2.6.1 The Director of Corporate Services will ensure that Authority borrowing, private financing and partnership arrangements are negotiated, structured and documented, and 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 market conditions prevailing at the time.

- 2.6.2 The Director of Corporate Services will actively manage Authority 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 Director of Corporate Services will ensure that all Authority treasury management activities comply with statutory powers and regulatory requirements. He/She will demonstrate such compliance, if required to do so, to all parties with whom the Authority deals in such activities. In framing its credit and counterparty policy under TMP[1] 'credit and counterparty risk management', he/she will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Authority, particularly with regard to duty of care and fees charged.
- 2.7.2 The Director of Corporate Services 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 organisation.

2.8 Fraud, error and corruption, and contingency management

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

2.9 Market risk management

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

3.0 TMP2 PERFORMANCE MEASUREMENT

- 3.1 The Director of Corporate Services is committed to the pursuit of value for money in the Authority's treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in the Authority's treasury management policy statement.
- 3.2 Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The

performance of the treasury management function will be measured using the criteria set out in the TMPs: Schedules.

4.0 TMP3 DECISION-MAKING AND ANALYSIS

- 4.1 The Director of Corporate Services will maintain full records of Authority treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching these decisions are detailed in the TMPs: Schedules.

5.0 TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

- 5.1 The Director of Corporate Services will undertake Authority treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 'Risk management'.

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

- 6.1 The Director of Corporate Services 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 principal 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 Director of Corporate Services 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 Director of Corporate Services 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 Director of Corporate Services will also ensure that at all times those engaged in treasury management will follow the policies and procedures. The present arrangements are detailed in the TMPs: Schedules.

- 6.5 The Director of Corporate Services will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the TMPs: Schedules
- 6.6 The delegations to the Director of Corporate Services in respect of treasury management are set out in the TMPs: Schedules. The Director of Corporate Services will fulfil all such responsibilities in accordance with the Authority's policy statement and TMPs and if a CIPFA member, the 'Standard of Professional Practice on Treasury Management'.

7.0 TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS.

- 7.1 The Director of Corporate Services will ensure that regular reports are prepared and considered on the implementation of Authority treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.
- 7.2 As a minimum:
- The Authority will receive
- an annual report on the proposed strategy and plan to be pursued in the coming year
 - a mid-year review
 - an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.
 - Quarterly reports to monitor and report performance against all forward-looking prudential indicators highlighting any significant actual, or forecast deviations from the approved indicators. The quarterly reports should be reported as part of the authority's integrated revenue, capital and balance sheet monitoring;
- 7.3 The GLA Audit Panel, as the body with responsibility for the scrutiny of treasury management policies and practices, will receive regular monitoring reports on treasury management activities and risks.
- 7.4 The GLA Audit Panel responsible for scrutiny, such as an audit or scrutiny committee, will have responsibility for the scrutiny of treasury management policies and practices.

- 7.5 Local authorities should report the treasury management indicators as detailed in their sector-specific guidance notes.
- 7.6 The present arrangements and the form of these reports are detailed in the TMPs: Schedules.

8.0 TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

- 8.1 The Director of Corporate Services 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 Director of Corporate Services 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 Director of Corporate Services will account for the Authority's treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

9.0 TMP8 CASH AND CASH FLOW MANAGEMENT

- 9.1 Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this Authority will be under the control of the Director of Corporate Services, 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 Director of Corporate Services will ensure that these are adequate for the purposes of monitoring compliance with TMP1 (2.3) 'Liquidity risk management'. The present arrangements for preparing cash flow projections, and their form are set out in the TMPs: Schedules.

10.0 TMP9 MONEY LAUNDERING

- 10.1 The Director of Corporate Services 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. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the TMPs: Schedules.

11.0 TMP10 TRAINING AND QUALIFICATIONS

- 11.1 The Director of Corporate Services 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 Director of Corporate Services will recommend and implement the necessary arrangements.
- 11.2 The Director of Corporate Services will ensure that Authority 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.
- 11.4 In order to accurately reflect all of the above and the technical expertise of the Treasury Management Function, a knowledge and skills register for officers and members involved in the treasury management function is held and regularly updated to record all training and relevant knowledge and skills development.
- 11.5 The present arrangements are detailed in the TMPs: Schedules.

TMP11 USE OF EXTERNAL SERVICE PROVIDERS

- 12.1 The Authority recognises that responsibility for the treasury management decisions remains with the Authority at all times. 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 and 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 Director of Corporate Services, and details of the current arrangements are set out in the TMPs: Schedules.

13.0 TMP12 CORPORATE GOVERNANCE

- 13.1 The Authority is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principals and practices by which this can be achieved. Accordingly, the treasury

management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

- 13.2 This Authority has adopted and implemented the key principles of the TM Code. This, together with the other arrangements detailed in the TMPs; Schedules, are considered vital to the achievement of proper corporate governance in treasury management, and the Director of Corporate Services will monitor and, if and when necessary, report upon the effectiveness of these arrangements.