LONDON FIRE BRIGADE

Report title

Treasury Management Strategy 2022/23

Report to	Date
Finance and Investment Board	15 February 2022
Commissioner's Board	09 March 2022
Deputy Mayor's Fire and Resilience Board	29 March 2022
London Fire Commissioner	

Report by

Assistant Director, Finance

Report classification

For Decision

Synopsis of report:

The report sets out the treasury management strategy for the 2022/23 financial year.

Report number – [LFC-0681] – COMPLETED BY GOVERNANCE TEAM

For Publication

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DECISION-MAKER

I agree the recommended decision below.

Andy Roe
London Fire Commissioner

Date This decision was signed remotely on 30 March 2022

Executive Summary

Under Authority Financial Regulations, the Director of 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 Link Asset Services 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 provides a forward-looking market view. Officers will, as before, monitor market and media intelligence to further inform their assessment of investment counterparties.

The LFC's Investment Strategy authorises the participation in the GLA Group Investment Strategy (GIS). The proposals in this report align the investment strategies of LFC and the other member bodies of the GIS in a common approach to treasury management, so far as is possible within individual requirements. This maximises the efficiency available through the Treasury Management shared service with the GLA.

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 2022/23 in advance of the year.

The report also details the plans to borrow to fund the Capital Strategy.

Recommended decisions

For the London Fire Commissioner

That the London Fire Commissioner

1. approve the Treasury Management Strategy Statement for 2022/23, including the

    a. Treasury Management Policy Statement (Appendix 1),

    b. Minimum Revenue Provision Policy Statement (Appendix 2),

    c. Prudential Code Indicators and Treasury Management Limits (Appendix 3),

    d. Group Investment Syndicate (GIS) Investment Strategy (Appendix 4)

    e. Treasury Management Practices: Main Principles (Appendix 5)

Introduction and Background

1. The Treasury Management Strategy Statement (TMSS) sets out the Treasury Management activities of the LFC for the year 2022/23.

2. This TMSS has been prepared in accordance with the following legislation and guidance:

    - The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (The TM Code) and associated Guidance Notes
    - The CIPFA Prudential Code for Capital Finance in Local Authorities and associated Guidance Notes
    - The Local Government Act 2003
    - The Ministry of Housing, Communities & Local Government (MHCLG) Guidance on Local Government Investments
    - The MHCLG Guidance on Minimum Revenue Provision (MRP)

3. The TM Code defines treasury management activities as:

    "The management of the local authority'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."

4. This TMSS therefore considers the impact of the LFC's Revenue Budget, Medium Term Capital Programme and the Balance Sheet position and covers the following areas:

- Economic Background
- Prospects for Interest Rates
- Forecast Treasury Management Position
- Borrowing Strategy
- Policy on Borrowing in Advance of Need
- Debt Rescheduling
- Investment Strategy
- Use of External Service Providers
- Treasury Training
- Treasury Management Policy Statement (Appendix 1)
- Minimum Revenue Provision (MRP) Policy Statement (Appendix 2)
- Prudential Code Indicators and Treasury Management Limits (Appendix 3)
- Group Investment Syndicate (GIS) Investment Strategy (Appendix 4)
- Treasury Management Practices: Main Principles (Appendix 5)

5. 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.

6. The Treasury Management risks the LFC is exposed to are:
    - Credit and counterparty risk (security of investments)
    - Liquidity risk (inadequate cash resources)
    - Interest and market risk (fluctuations in interest rate levels and thereby in the value of investments)
    - Refinancing risks (impact of debt maturing in future years)
    - Legal and regulatory and fraud risk (non-compliance with statutory and regulatory requirements, risk of fraud)

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

8. The LFC formally adopts The TM Code through the following provisions

    i. 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 and
        - 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.

ii. 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.

iii. 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 of Corporate Services, who will act in accordance with the organisation's policy statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

iv. 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.

v. 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 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.

vi. Should the Director of 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.

Economic Background (Provided by Link Asset Services)

9. Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10 percent, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25 percent at its meeting on 16th December 2021. Subsequently, the Bank of England's Monetary Policy Committee voted by a majority of 5-4 to increase Bank Rate by 0.25 percentage points, to 0.5 percent at its meeting on 3rd February 2022.

10. It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2 percent target after the spike up to around 5 percent. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25 percent. However, it is likely that these forecasts will need changing within a relatively short timeframe

11. The overall balance of risks to economic growth in the UK is now to the downside, including risks from COVID and its variants - both domestically and their potential effects worldwide.

12. Since the start of 2021, there has been a lot of volatility in gilt yields, and hence Public Works Loan Board (PWLB) rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to

March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period

Prospects for Interest Rates (Provided by Link Asset Services)

13. The effective management of risk around borrowing and investments and cashflow management decisions also includes understanding interest rate movements

14. The GLA GIS has appointed Link Group as its treasury advisor and part of their service is to assist the LFC to formulate a view on interest rates. Link provided the following forecasts on 9th February 2022. These are forecasts for certainty rates, gilt yields plus 0.8 percent.

Table 1 - Link Asset Services forecasted PWLB interest rates.

Bank Rate											
	NOW	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Link Group	**0.50%**	0.75%	1.00%	1.00%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
5 Year PWLB Rate											
	NOW	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Link Group	**2.11%**	2.20%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%
10 Year PWLB Rate											
	NOW	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Link Group	**2.24%**	2.30%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%
25 Year PWLB Rate											
	NOW	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Link Group	2.39%	2.40%	2.50%	2.50%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%
50 Year PWLB Rate											
	NOW	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Link Group	**2.08%**	2.20%	2.30%	2.30%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%

15. As shown in the forecast table above published by Link Asset Services 9th February 2022, the forecast for Bank Rate now includes three increases, one in March 2022 to 0.75 percent, then the second in quarter 2 of 2022 to 1.00 percent, and the third predicted increase for quarter 4 of 2022 to 1.25 percent. Quarter 1 of 2023 to 1.25 percent, quarter 1 of 2024 to 1.25 percent and, finally, one in quarter 1 of 2025 to 1.25 percent.

Forecast Treasury Management Position

16. The LFC's forward treasury portfolio position is summarised below. The table shows the actual external borrowing (the treasury management operations) against the underlying capital borrowing requirement (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

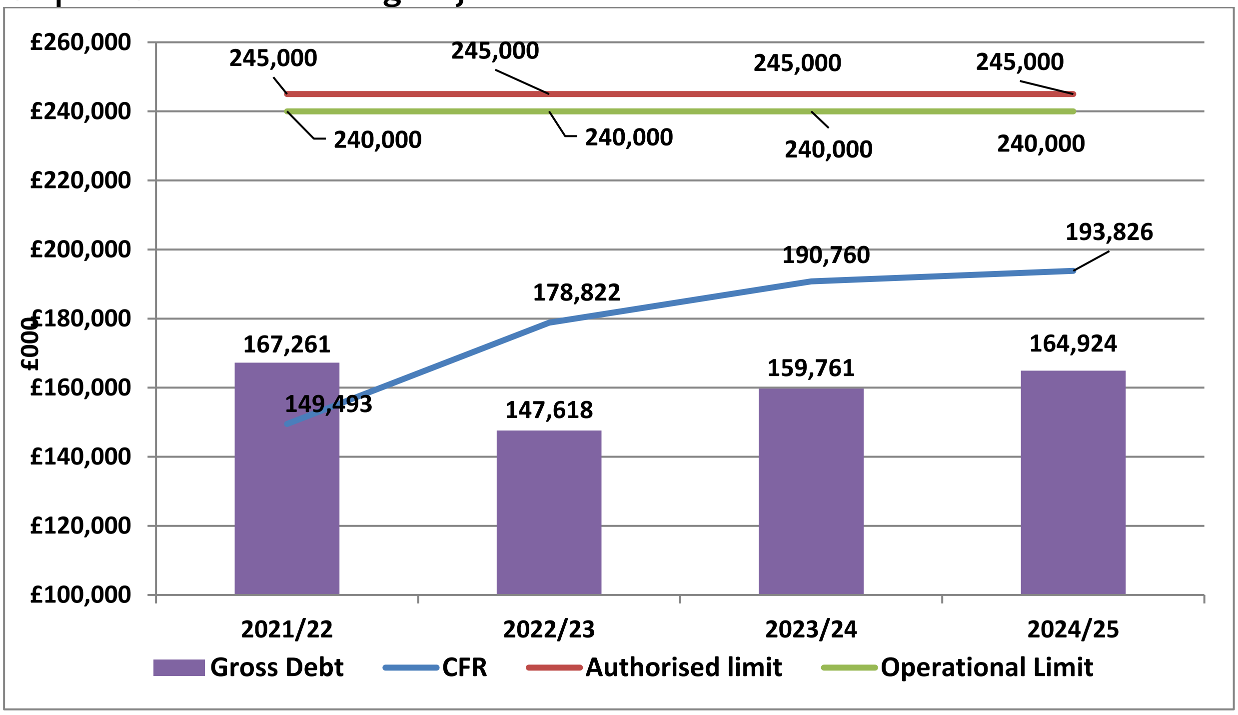
Table 2 – Forecast Treasury Position

Forecast Treasury Position	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m
External Borrowing				
Long Term Borrowing	88.93	87.73	101.43	108.17
Temporary Borrowing	17.00	0.00	0.00	0.00
Total External Borrowing at 31 March (A)	105.93	87.73	101.43	108.17
Other Long-Term Liabilities				
PFI Liability	42.91	41.47	39.91	38.33
Finance Lease Liability	18.43	18.43	18.43	18.43
Total Other Long-Term Liabilities at 31 March (B)	61.34	59.89	58.34	56.75
Total Gross Debt (A+B)	167.26	147.62	159.76	164.92
Capital Financing Requirement	149.49	178.82	190.76	193.83
Less Other Long-Term Liabilities at 31 March	61.34	59.89	58.34	56.75
Underlying Capital Borrowing Requirement (C)	88.16	118.93	132.42	137.07
Under/(Over) Borrowing (C-A)	-17.77	31.20	31.00	28.90
Investments at 31 March (D)	174.17	79.30	62.40	60.10
Net Borrowing (A-D)	-68.24	8.43	39.02	48.07

17. Within the set of prudential indicators there are a number of key indicators to 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 Capital Financing Requirement (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.

18. The following graph shows projections of the CFR and borrowing, together with Authorised and Operational Boundary Limits.

Graph 1 CFR and Borrowing Projections



19. The Director of 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 considers current commitments, existing plans and the proposals in the LFC's budget report on the same agenda

Leases – Changes to Accounting

20. The LFC, as part of the local government sector, will be required to adopt a new international financial reporting standard (IFRS) for leasing from 1 April 2022. IFRS 16 Leases will require local authorities that are lessees to recognise most leases on the balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). As part of ensuring compliance with IFRS 16, the operational and authorised borrowing limits will be reviewed and increased as necessary from the levels shown in the above tables. Updated borrowing limits will be approved separately, once a detailed data gathering exercise has been completed and the impact of IFRS 16 compliance quantified, during the 2021/22 financial year.

Borrowing Strategy

Delegation/Authorisation

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

22. On the basis of the above, the Director of 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.

23. All borrowing decisions will be taken in discussion with GLA Group Treasury and should be reported to the Commissioner's Board at the first opportunity within the Treasury Management cycle.

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

Borrowing and Risk

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

26. 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.
27. Against the background and the risks within economic forecast, caution will be adopted with the 2022/23 treasury operations. The Director of Corporate Services will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

Internal Borrowing

28. 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

29. 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 cash supporting the LFC's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns remain low and counterparty risk is limited.

Short Term Borrowing

30. 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.

Policy on Borrowing in Advance of Need

31. 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. A key factor in borrowing early may be the prospect of increasing interest and given these are forecast in the market update provided above by Link Asset Services this will be considered, in discussion with GLA Group Treasury.

32. 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.

Debt Rescheduling

33. As short-term borrowing rates are expected to be lower than longer term fixed interest rates, there may be opportunities to generate savings by switching from taking long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

34. Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short-term rates on investments are likely to be lower than rates paid on current debt.

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

36. PWLB pricing policies currently impose a considerable spread between the rate of new loans and the rate used to calculate premiums/discounts on early redemption. This means there are less opportunities for restructuring than previously, due to prohibitively expensive premia in relation to achievable interest savings. This emphasises the importance of attempting to optimise maturity profiles at the point of undertaking borrowing.

Investment Strategy

37. 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. The LFC will continue to pursue this strategy through the GLA Group Investment Syndicate (GIS).

38. The LFC will, as part of the GIS, continually develop its investment risk methodologies 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 with appropriate action taken when these ratings change.

39. The application of resources (capital receipts, reserves etc.) 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.

Table 3 Core Funds and Expected Investment Balances

Core Funds and Expected Investment Balances	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m
Fund balances/reserves	80.60	74.50	68.40	64.00
Provisions	5.00	5.00	5.00	5.00
Other	50.80	11.00	0.00	0.00
Total Core Funds	136.40	90.50	73.40	69.00
Working Capital Surplus*	20.00	20.00	20.00	20.00
Under/(over) borrowing	-17.77	31.20	31.00	28.90
Expected Investments	174.17	79.30	62.40	60.10

40. The LFC Group's short-term cash balances are invested through the GLA Group Investment Syndicate (GIS), managed by the GLA's investment subsidiary, London Treasury Limited, which is authorised and regulated by the Financial Conduct Authority. The draft pooled investment strategy for this arrangement is included within Appendix 4 but is subject to the agreement of all participating authorities; the Director of Corporate Services is authorised, having taken proper advice from Link or other suitably qualified advisor, to agree amendments to this, provided that the underlying exposures of any amended strategy do not breach the limits set out in Appendix 4.

41. There are no proposed changes to the 2022/23 GIS investment strategy since the previous iteration.

42. The 2022/23 GIS Investment Strategy, including creditworthiness policy and permitted instruments, as agreed between the Syndics, (The Director of Corporate Services is the Syndic for LFC) is attached at Appendix 4.

43. This effectively constitutes the LFC's Annual Investment Strategy, which is prepared and approved before the start of each financial year. This GIS Investment Strategy is currently in the process of

being approved by all the current participants of the GIS and the Board is presented with the latest version.

2022/23 GIS Investment Strategy

44. The GIS Investment Strategy is considered and agreed by all participants. A common approach permits maximum efficiency of the shared group service.

45. Where funds are placed in pooled vehicles such as Money Market Funds (MMFs), each fund is an approved counterparty. Variation between a MMF's list of approved counterparties and the approved counterparties of the LFC is permissible, at the discretion of the Director of Corporate Services, providing the MMF's own rating meets the criteria of Appendix 4.

46. Additionally, the Director of Corporate Services may from time to time instruct the GLA Treasury team to invest sums independently of the GIS, 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 91 days. However, regard must always be given to the TM Limit 'Limits for Principal Sums Invested for Periods Longer than 365 Days' (Appendix 3 section 6.2).

47. 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. However, considering potential capital receipts this position will be kept under review and any move to invest funds long-term will be put to the Board for consideration. (This limit does not apply to externally managed funds or to pooled monies within the Group Investment Syndicate, providing the weighted average maturity of investments does not exceed 91 days): See Appendix 3 Section 6.2.

48. 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 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.

Treasury Management Budget

49. The table below provides a breakdown of the treasury management budget

Table 4 Treasury Management Budget

Treasury Management Budget	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m
Interest payable	2.7	2.7	2.7	2.7
Interest Receivable	-0.8	-0.6	-0.6	-0.6
Minimum Revenue Provision	7.2	7.2	12.5	15.5
Total	9.19	9.33	14.63	17.56

50. Assumptions behind the 2022/23 Budget are:

- Average rates achievable on investments will be 0.75%
- Average rates payable on new fixed term borrowing will be 2.50%
- The Minimum Revenue Provision (MRP) charge is in line with the LFC's MRP Policy

Use of External Service Providers

51. The LFC uses Link Asset Services, 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 LFC 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.

52. Link Asset Services currently provide;

- consultancy services to support the LFC's treasury operation
- attend two strategy meetings per annum to review the LFC's 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

53. The LFC does not currently 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.

54. The NatWest bank plc are the LFC's bankers and continue to provide a competitive service under an annual rolling contract.

55. The GLA Investment Manager entered into an investment management agreement with London Treasury Limited (LTL) so that GLA Group Treasury can delegate its treasury investment activities to an entity which is authorised and regulated by the Financial Conduct Authority (FCA). This is with the intention to provide enhanced regulatory and risk management practices. LTL is a wholly owned Investment Manager of the Greater London Authority and its investment team have all been seconded from the existing GLA Investment Management team.

56. The GLA Investment Manager already has experience of using external fund managers, as the GLA Investment Manager uses two external fund managers, TwentyFour Asset Management and Prytania Asset Management, for the GLA's long term Residential Mortgage Backed Securities (RMBS) investments. Any external fund manager used to support the GIS/LSR investments will be properly appointed.

57. The GLA Investment Manager, under the GIS Investment Strategy, uses State Street Bank and Trust as the custodian for tradeable instruments (such as Treasury Bills). The GLA's policy is that any custodian shall meet the GLA's credit criteria for 12 month investments (prior to Credit Default Swaps Market or other temporary adjustments).

Treasury Training

58. The 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

59. Senior officer training is available from the LFC's external treasury advisors (Link Asset Services) and will be arranged as required.

60. GLA Group Treasury officers performing regulated roles while seconded to LTL are obliged to undertake regulatory and technical training as required from time to time by LTL's Board.

61. GLA Group Treasury officers also routinely attend national forums and practitioner groups, such as the CIPFA Treasury Management Network.

62. GLA Group Treasury, supported by Link Asset Services, maintain a regular training programme available to all participating in the shared service and is arranged as required.

63. Notwithstanding the above, the training needs of Treasury officers and those charged with decision making are periodically reviewed.

Finance comments

64. This report is prepared by the Assistant Director - Finance and as such Finance comments have been incorporated into the report.

Legal comments

65. 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 way the holder of that office is to exercise his or her functions.

66. Section 1 of the Fire and Rescue Services Act 2004 states that the LFC is the fire and rescue authority for Greater London. The LFC is also a 'best value' authority under the Local Government Act 1999 and must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

67. The LFC must follow the requirements of Part 1 of the Local Government Act 2003 (2003 Act) which make 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.

68. 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.

69. 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.

70. 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.

71. 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.

72. The LFC's Scheme of Governance delegates responsibility for the execution and administration of Treasury Management decisions to the LFC's Director of 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".

73. The Director of 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. This report fulfils the above statutory and LFC Scheme of Governance requirements.

74. The subject of this report is considered to be novel, contentious or repercussive in nature as it sets out the Treasury Management Strategy Statement and Annual Investment Strategy for the LFC, therefore consultation with the Deputy Mayor is required.

Sustainability implications

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

Equalities impact

76. The London Fire Commissioner and the Greater London Authority are required to have due regard to the Public Sector Equality Duty (s149 of the Equality Act 2010) when taking decisions. This in broad terms involves understanding the potential impact of policy and decisions on those with protected characteristics taking this into account and then evidencing how decisions were reached.

77. 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.

78. 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.

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

a. eliminate discrimination, harassment and victimisation and other prohibited conduct.
b. advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.
c. foster good relations between people who share a relevant protected characteristic and persons who do not share it.

80. Having due regard to the need to advance equality of opportunity 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:

a. remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic;
b. take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
c. 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.

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

82. 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:

a. tackle prejudice, and
b. promote understanding.

83. This report relates to treasury management performance and is therefore not considered to have any equalities impact.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of background documents Local Government Act 2003 CIPFA Code of Practice on Treasury Management (2017) CIPFA The Prudential Code (2017) CIPFA The Prudential Code for Capital Finance in Local Authorities: Guidance Notes for Practitioners (2018) Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 Financial Regulations CIPFA Treasury Management in the Public Services: Guidance Notes for Local Authorities incl Police and Fire Authorities (2018) The Ministry of Housing, Communities & Local Government (MHCLG) Guidance on Local Government Investment The MHCLG Capital Finance Guidance on Minimum Revenue Provision	
84. Proper officer	85. Director of Corporate Services
86. Contact officer 87. Telephone 88. Email	Princess Christian-Iwuagwu 07853 921682 princess.christianiwuagwu@london-fire.gov.uk

List of Appendices

Appendix	Title	Protective Marking
1.	Treasury Management Policy Statement	N/A
2.	Minimum Revenue Provision (MRP) Policy Statement	N/A
3	Prudential Code Indicators and Treasury Management Limits	N/A

4	Group Investment Syndicate (GIS) Investment Strategy	N/A
5.	Treasury Management Practices: Main Principles	N/A

List of Appendices

Appendix	Title	Open or confidential
1.	[Type "None" if not applicable]	

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

Is there a part 2 form – /NO

ORIGINATING OFFICER DECLARATION:	Drafting officer to confirm the following (✓)
Drafting officer Princess Christian-Iwuagwu has drafted this report and confirms the following:	
Assistant Director/Head of Service Princess Christian-Iwuagwu has reviewed the documentation and is satisfied for it to be referred to Board for consideration.	
Advice Legal team has commented on this proposal; Thomas Davies, Legal Advisor, on behalf of General Counsel (Head of Law and Monitoring Officer) Princess Christian-Iwuagwu, Financial Advisor, on behalf of the Chief Finance Officer	