

Date: 9 March 2022

**Item: Treasury Management and Derivative Investments
Policies**

This paper will be considered in public

1 Summary

- 1.1 This paper asks the Committee to approve the proposed Treasury Management Policies and the proposed TfL Group Policy Relating to the Use of Derivative Investments. This paper supports our commitment to financial prudence through risk management. There are no material changes to the proposed policies for 2022/23, which can be found in Appendix 1 and Appendix 2.
- 1.2 This paper asks the Committee to note the proposed draft TTL Properties Limited (TTLP) Treasury Management Policies. We intend to return to the Committee for approval of this policy in due course once TTLP's future arrangements have been finalised. This policy can be found in Appendix 3.
- 1.3 This paper also asks the Committee to approve the proposed TfL Pension Fund Policy on Notifiable Events in draft form, and authorise the managing Chief Finance Officer (CFO)¹ to approve any changes he considers necessary, once the final regulations have been published and to issue a final form. This policy has been introduced for 2022/23 and can be found in Appendix 4.
- 1.4 Approval of the Treasury Management Policies and the TfL Group Policy Relating to the Use of Derivative Investments are matters reserved to the Board. On 29 July 2020 the Board delegated to the Committee approval of the Treasury Management Policies and the TfL Group Policy Relating to the Use of Derivative Investments and any changes to these policies during any year. The Committee is asked to exercise that authority in relation to the Treasury Management Policies, the TfL Group Policy Relating to the Use of Derivative Investments, and TfL Pension Fund Policy on Notifiable Events.

2 Recommendations

2.1 The Committee is asked to note the paper and:

- (a) approve under the authority delegated by the Board, the proposed Treasury Management Policies in Appendix 1;**

¹ References to managing Chief Finance Officer in this document mean the managing (non-statutory) Chief Finance Officer.

- (b) approve under the authority delegated by the Board the proposed TfL Group Policy Relating to the Use of Derivative Investments in Appendix 2;**
- (c) approve the proposed TfL Pension Fund Policy on Notifiable Events in draft form in Treasury Management Policies in Appendix 4 and authorise the managing Chief Finance Officer to approve any changes they consider necessary, once the final regulations have been published, and to issue a final form; and**
- (d) note the draft Treasury Management Policies for TTL Properties Limited in Appendix 3.**

3 Treasury Management Policies

- 3.1 The Treasury Management Policies have been prepared having regard to the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) Regulations 2003 (as amended), as well as the key recommendations of: (i) the Code of Practice and Cross-Sectoral Guidance Notes for Treasury Management in the Public Services (the 'Treasury Management Code') issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) and last updated in 2021; (ii) the Prudential Code for Capital Finance in Local Authorities (the 'Prudential Code') issued by CIPFA and last updated in 2021; and (iii) the Statutory Guidance on Local Authority Investments (the 'Investments Guidance') issued by the Department for Levelling Up, Housing and Communities (DLUHC), formerly known as the Ministry of Housing, Communities and Local Government, in 2018.
- 3.2 The Investments Guidance requires investment strategies to be published for treasury and non-treasury investments such as property portfolios. All references to 'investments' in the Treasury Management Policies and the TfL Group Policy Relating to the Use of Derivative Investments refer to investments held for treasury management purposes only and do not cover non-treasury related investments.
- 3.3 CIPFA recommends that all public service organisations adopt a series of clauses for effective treasury management. Such clauses include the need for public service organisations to create and maintain:
 - (a) a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and
 - (b) suitable treasury management practices, setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 3.4 Under the Treasury Management Code, we are required to adopt Prudential Indicators and Treasury Management Indicators (together the 'Prudential Indicators') that support planned capital expenditure, borrowing and treasury

management activities. Our Prudential Indicators will be the subject of an item on the agenda for the meeting of the Board in March 2022.

- 3.5 The Treasury Management Policies require us to have a Treasury Management Strategy (TMS) approved by the Committee on at least an annual basis. The TMS for 2022/23 is included as a separate item on the agenda for this meeting.
- 3.6 There have been no other material changes compared to the Treasury Management Policies approved in March 2021. A copy of the proposed policies is included in Appendix 1.

4 TfL Group Policy Relating to the Use of Derivative Investments

- 4.1 The TfL Group Policy Relating to the Use of Derivative Investments must be reviewed annually. The document has been updated to reflect that approval of the TfL Group Policy Relating to the Use of Derivative Investments has been delegated from the Board to the Committee.
- 4.2 There are no material changes to the proposed policy. A copy is included in Appendix 2.

5 TTL Properties Limited Treasury Management Policy

- 5.1 TTL Properties Limited (TTLP) will start to become more financially independent from TfL on 1 April 2022. TfL will manage treasury related tasks on its behalf. The draft TTLP Treasury Management Policies are in line with TfL's and are included in Appendix 3. We intend to return to the Committee for approval of this policy in due course once TTLP's future arrangements have been finalised.

6 Draft TfL Pension Fund Policy

- 6.1 The Pension Schemes Act 2021 introduces new Pensions Regulator (Regulator) powers and civil and criminal offences regarding the operation of defined benefit occupational pension schemes, such as the TfL Pension Fund (the Scheme). Proposed new notifiable events are anticipated to come into effect on 6 April 2022 and the proposed TfL Pension Fund Policy on Notifiable Events has been included in draft form in Appendix 4.

We are requesting that the Committee approve the draft TfL Pension Fund Policy on Notifiable Events and authorise the CFO to approve any changes they consider necessary, once the final regulations have been published, and to issue a final form.

List of appendices to this report:

Appendix 1: Treasury Management Policies (tracked changed against 2021/22 policy)

Appendix 2: TfL Group Policy Relating to the Use of Derivative Investments (no change)

Appendix 3: Draft TTL Properties Limited Treasury Management Policies

Appendix 4: Draft TfL Pension Fund Policy on Notifiable Events

List of background papers:

None

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