

AC 09/09/21 Treasury Management

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<b>Audit committee</b>		AC 09/09/2021 - 7
HR Update		
<b>Report by</b>	Wayne Hubbard	
<b>Job Title</b>	Chief Executive Officer	
<b>Date of decision</b>	Audit Committee Meeting 09/09/2021	

<b>Summary</b>
This paper presents a summary of returns from the current Treasury Management Policy.

<b>Recommendation</b>
The committee is recommended to: <ul style="list-style-type: none"> <li>• Note returns received from current treasury management investments.</li> <li>• Note the current treasury management policy (no change is recommended).</li> </ul>

<b>Originating Officer</b>	Adam Leibowitz
<b>Contact details</b>	<a href="mailto:Adam.Leibowitz@relondon.gov.uk">Adam.Leibowitz@relondon.gov.uk</a>

**Report**

ReLondon holds significant reserves to fund all its activities and receives no regular funding from government. ReLondon is not able to take loans so there is no debt to be serviced.

The Audit Committee agreed a Treasury Management Policy in May 2018 (Appendix 1). This aims to minimise risk and volatility and maintain high liquidity.

ReLondon currently has approximately £12.75m of funds. Other than cash reserves required to service short term operating expenditure these funds are held with the GLA, under the terms of the loan agreement with that entity, and with interest earned mirroring the overall yield on funds held in the GLA's Group Investment Syndicate Scheme (which ReLondon is unable to join directly). The remainder is held in interest bearing accounts with the Board's bank, RBS.

Funds held with the GLA have consistently yielded greater returns than are available as cash deposits with any of the major banks. Annual returns received from GLA fund and the cash deposits with RBS are shown below.

	<b>GLA Fund Return (%)</b>	<b>RBS Interest Rate (%)</b>
2018	0.8	0.3
2019	1.0	0.3
2020	0.5	0.3 (to 28/5/2020)
2021	0.4*	0.01 (current rate)

(\* estimate from Q1 performance).

Higher interest rates are available with notice accounts with a bank, but the returns offered remain less than the average return from the GLA fund. For example, RBS 35 day notice account yields only 0.05%.

Unless the Board is willing to take on a significantly higher level of risk with reserves (for example investing in equity or bond markets) investing in the GLA fund remains a good option. Given that the majority of ReLondon's funds have been committed in the 2021-25 business plan, it is not recommended that ReLondon take a less risk averse approach.



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<b>Appendices</b>
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Appendix 1: Treasury Management Policy 2018
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## **London Waste and Recycling Board - Treasury Management policy May 2018**

### **1. Introduction**

London Waste and Recycling Board ("the Board") is a statutory body established by the GLA Act 1999 as amended in 2007 to promote and encourage, as far as relating to Greater London: a) the production of less waste, b) an increase in the proportion of waste that is reused or recycled, c) the use of methods of collection, treatment and disposal of waste which are more beneficial to the environment

The Board may do anything that it thinks will facilitate, or is incidental or conducive to, the carrying out of its functions.

The Board's constitutional documents are silent on the management of its finances, other than stipulating that it does not have the power to borrow money.

As at 1<sup>st</sup> April 2018 the Board holds approximately £26m in cash and cash equivalents to fund its ongoing activities.

The Board is not a recipient of ongoing grant funding, other than specific funding for particular projects (eg EU funding)..

### **2. Investment Objectives**

The Board seeks to produce the best financial return within an acceptable level of risk. As the Board is required to publish a business plan annually, and membership of the Board will necessarily change in 2020 according to the regulations of the order, capital preservation and liquidity are of paramount importance in order not to constrain the strategic choices of current and future Boards.

### **3. Risk**

In view of the Investment Objectives set out above, volatility cannot be tolerated and assets should be invested to minimise risk.

The Board's assets should be held in cash or near cash investments.

The Board's cash balances should be deposited with institutions with a minimum rating of A- or invested in a diversified money market fund.

#### **4. Liquidity Requirements and Time Horizon**

In view of the Investment Objectives set out above, maturities of cash deposits should not constrain the Board's ability to make strategic budgetary decisions on an annual basis.

#### **5. Management, Reporting and Monitoring**

The Board will manage its own cash deposits and has an authorised list of signatories, two of which are required to sign instructions to the deposit making institution. The Head of Finance will monitor the cash position and prospective cash flow schedule and report this to the Audit Committee at each scheduled meeting.

#### **6. Ethical Policy**

The Board will seek to establish appropriate ethical screens for any investments made on a case by case basis.

#### **7. Current Arrangements**

Until such point as alternative arrangements are made under the terms of this policy, or the policy is amended, the entirety of the Board's cash reserves other than those required to service short term operating expenditure will continue to be held with the GLA, under the terms of the loan agreement with that entity, and with interest earned mirroring the overall yield on funds held in the GLA's Group Investment Syndicate Scheme. The remainder will be held with the Board's bank, RBS, in order to service ongoing operating expenditure.

#### **8. Approval and Review**

This Treasury Management Policy was prepared by the Head of Finance to provide a framework for the management of its reserves. It will be reviewed on an annual basis to ensure continuing appropriateness

Approved by the Audit Committee 22 May 2018