

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD3258

Title: Approval of GLA Group Authorised Limits and GLA Prudential Indicators for 2024-25 to 2026-27

Executive Summary:

The Mayor is required under section 3(2) of the Local Government Act 2003 to set an "Authorised Limit" (affordable borrowing limit) for external debt, which includes direct borrowing as well as other long-term liabilities, for the GLA and each functional body.

Alongside these limits, the Mayor also approves the prudential indicators associated capital financing requirements for the GLA as required under statutory guidance.

Reflecting a detailed review of borrowing by GLA subsidiaries, an explicit delegation is proposed to the Chief Finance Officer, on the advice of the Chief Investment Officer, to authorise GLA subsidiaries to repay loans ahead of scheduled repayment and if necessary re-draw their outstanding loans, in the interests of efficient cash management.

Decision:

1. That the Mayor approves the:
 - i. Authorised Limits for the GLA Group for 2024-25 to 2026-27 (Appendix 1)
 - ii. Prudential and treasury management indicators for the GLA for 2024-25 to 2026-27 (Appendix 2)
2. That the Mayor delegates authority to the Chief Finance Officer, having taken appropriate advice, to authorise GLA subsidiaries (subject to compliance with any applicable company law requirements) to:
 - i. repay loans ahead of schedule
 - ii. borrow to replace any such sums so repaid, provided the overall level and duration of borrowing is not increased beyond what would have been the case had the early repayment not occurred.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

12/3/24

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1. Under sections 3(3) and 3(4) of the Local Government Act 2003 (the 2003 Act), the Mayor must consult with the London Assembly and each functional body before approving new limits or amending existing approvals. This has been achieved for 2024-25 through the GLA Group budget process: the draft capital spending plan for 2024-25 was issued for consultation on 19 December 2023 alongside the Mayor's consultation budget document. Revised versions of the capital spending plan were presented (including proposed borrowing limits) in the Mayor's draft consolidated budget for 2024-25 which was considered by the Assembly on 25 January 2024 and the Mayor's final draft consolidated budget for 2024-25 which was considered by the Assembly and approved without amendment on 22 February 2024, following which the capital spending plan was approved by the Mayor through MD3242.
- 1.2. The proposed Authorised Limits for the group are set out at Appendix 1.
- 1.3. Local authorities can borrow on the basis of need and affordability, which they have to demonstrate through compliance with the Prudential Code for Capital Finance in Local Authorities (the Prudential Code) and the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (the TM Code)(together the Codes) developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and given statutory force by government regulation. 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.
- 1.4. Under the Codes, the Mayor is also required to approve a more detailed suite of indicators and limits to measure and control borrowing and treasury management risks, collectively known as the prudential and treasury management indicators, set out at Appendix 2. These will update the GLA's Treasury Management Strategy Statement (TMSS) approved in February 2024 under MD3231.
- 1.5. The significance of the GLA's subsidiaries, in particular GLA Land and Property Limited (GLAP), to the GLA's financial risk and return profile has continued to increase over recent years.
- 1.6. For most GLA subsidiaries, the authority to borrow is a reserved matter for the Mayor under their articles of association. In line with policy of more integrated treasury management, the Mayor is invited to approve a delegation to the Chief Finance Officer to authorise GLA subsidiaries (subject to compliance with any applicable company law requirements) to (i) repay loans early if it is beneficial either for the individual subsidiary or the GLA and its subsidiaries as a group, and (ii) authorise all or part of such early repayments to be reborrowed if necessary, provided the overall level and duration of borrowing is not increased beyond what would have been the case had the early repayment not occurred.
- 1.7. In such cases, the Chief Finance Officer may only exercise the delegation after taking the advice of the Chief Investment Officer, London Treasury Limited or another suitably qualified adviser to ensure that appropriate transactional terms apply and applicable risks are properly evaluated. This is reflected in the proposed delegation.

2. Objectives and expected outcomes

GLA Group Authorised Limits

- 2.1. The Authorised Limits set out at Appendix 1 have been formulated to ensure that the Mayor's capital spending plan can be delivered and that the use of borrowing to spread the cost of that expenditure over varying future years is both affordable and sustainable.

GLA prudential and treasury management indicators

- 2.2. Supplementing the GLA's TMSS, the indicators provide a strategic monitoring framework to achieve the following prudent objectives:

Borrowing:

- proposed levels of borrowing are sustainable and affordable
- the expected costs are well-matched to the relevant revenue streams to maximise budgetary certainty
- financing is readily available when required for major capital expenditure
- the most economical sources of borrowing for a given situation are identified and made use of GLA Group-wide.

Investments:

- public funds are not lost or placed in jeopardy (security)
- cash is available when required for essential expenditure (liquidity)
- returns are maximised, so far as the above constraints allow, to offset the impact of inflation on the spending power of public funds held by the GLA and others investing alongside the GLA (yield).

Effective balance sheet management:

- a sustainable and prudent balance is struck between the use of cash balances in lieu of external borrowing and any potential risks of refinancing
- opportunities for intragroup borrowing/investment transactions are identified in order to reduce risks and/or costs.

Delegation to the Chief Finance Officer

- 2.3. The proposed delegation will expedite the integrated treasury management of the GLA and its subsidiaries, in particular reducing the likelihood of subsidiaries holding more debt or cash than required for immediate operational purposes, thereby reducing interest costs and/or investment risk.

3. Equality comments

- 3.1. Under section 149 of the Equality Act 2010, the Mayor of London, as a public authority, must have 'due regard' of the need to eliminate unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advance equality of opportunity between people who have a protected characteristic and those who do not; and foster good relations between people who have a protected characteristic and those who do not. Relevant protected characteristics under section

149 of the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

- 3.2. Officers have reviewed this proposed decision against the requirements of the duty and consider that there are no direct equality implications arising.

4. Other considerations

Key risks and issues

- 4.1. The GLA Group Authorised Limits are set to ensure group-wide borrowing remains affordable.
- 4.2. The GLA prudential and treasury management indicators are set to manage and monitor the risks identified in the GLA's TMSS.

Links to Mayoral strategies and priorities

- 4.3. This decision enables the delivery of the Mayor's capital spending plan within a prudent and affordable framework and reflects the GLA's TMSS.

Consultations and impact assessments

- 4.4. The Mayor consulted on his 2024-25 budget, including the capital spending plan and the borrowing limits for the GLA and each functional body, with the Assembly, London boroughs, the City of London Corporation and other key stakeholders between 19 December 2023 and 10 January 2024. The proposed borrowing limits were included in Appendices A to F (i.e. the detailed tables for the GLA and each of the five functional bodies) of that budget document. The consultation document was placed on the GLA's website and sent to the bodies and key stakeholders mentioned above. This process met the requirement under sections 3(3) and 3(4) of the 2003 Act that before making a determination on the borrowing limits, the Mayor must first consult the Assembly and each functional body.
- 4.5. The proposed limits following the consultation were also set out in the capital spending plan contained within Part 2 to the Mayor's final draft consolidated budget for 2024-25, which was approved by the Mayor through MD3243, following the Assembly's approval without amendment at its plenary meeting on 22 February 2024. With the exception of Transport for London (TfL), which has revised its requirements downwards, the final borrowing limits proposed in this decision are unchanged from those considered by the Assembly at that meeting.

Declarations of interest

- 4.6. There are no known conflicts of interest for those involved in the drafting or clearance of this decision.

5. Financial comments

- 5.1. The financial implications of the borrowing limits for the GLA and each functional body including capital financing costs are addressed in the Mayor's final draft consolidated budget for 2024-25 which was approved by the Mayor through MD3243, following the Assembly's approval without amendment of that budget on 22 February 2024 and the final capital spending plan for 2024-25 for the GLA Group which was approved in MD3242 on 22 February 2024.
- 5.2. The GLA prudential and treasury management indicators are consistent with the policy objectives of the GLA's TMSS.

- 5.3. The proposed delegation to the Chief Finance Officer will provide scope to optimise group treasury management arrangements while reducing administrative costs.

6. Legal comments

- 6.1. The Mayor is required under section 122 of the Greater London Authority Act 1999 (the GLA Act) to prepare, for each financial year, a capital spending plan for the functional bodies. The capital spending plan for 2024-25 for the GLA Group was approved under MD3242 on 22 February 2024 and included the capital spending plans for the five functional bodies and the GLA.
- 6.2. The Mayor is also required under section 3(2) of the 2003 Act to determine how much money the GLA and each functional body can afford to borrow. This is the 'Authorised Limit' (or affordable borrowing limit). The limit determined for TfL under the 2003 Act concerns the borrowing of TfL as a body corporate established under section 154(1) of the GLA Act and not the TfL Group (which includes TfL and its subsidiary companies).
- 6.3. Under sections 3(3) and 3(4) of the 2003 Act, before making any determination under section 3(2) in respect of the GLA and each functional body, the Mayor has to consult the Assembly, and before making any determination in respect of a functional body, the Mayor has to consult that functional body. The process by which this consultation was undertaken is set out in section 4 above. Regulation 2 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires the Mayor, in complying with his duty to determine the affordable borrowing limit for the GLA and the functional bodies, to have regard to the Prudential Code. The Mayor agrees the prudential and treasury management indicators for the GLA for the purposes of complying with the Prudential Code.
- 6.4. The Mayor may make the proposed delegation to the Chief Finance Officer regarding early repayment and re-borrowing by GLA subsidiary companies following advice, as set out in paragraph 1.6 above. In implementing any such instruction, the individual company concerned must comply with any applicable company law requirements.

7. Planned delivery approach and next steps

- 7.1. Once the Mayor has approved this decision, he will have discharged his responsibility under section 3(2) of the 2003 Act and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 to set GLA Group Authorised Limits and GLA prudential and treasury management indicators for the forthcoming and following two years.

Appendices and supporting papers:

Appendices

Appendix 1 – GLA Group Authorised Limits for 2024-25 to 2026-27

Appendix 2 – GLA Prudential and Treasury Management Indicators for 2024-25 to 2026-27

Supporting papers

MD3231 – Treasury Management Strategy Statement, GLA investment matters and additional financial support for Transport for London for 2024-25, published on 7 February 2024

Mayor's consultation budget and draft capital spending plan for 2024-25, published on 19 December 2023
Mayor's final draft consolidated budget for 2024-25, published on 14 February 2024 and approved in MD3243

Mayor's capital spending plan for 2024-25, published on 27 February 2024 and approved in MD3242

MD3242 – GLA Group capital spending plan for 2024-25, published on 22 February 2024

MD3243 – Approval of 2024-25 Council Tax and Precepts and Communication to Council Taxpayers

Public access to information

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

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral

Is the publication of Part 1 of this approval to be deferred? NO

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included 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:

Luke Webster has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Enver Enver has reviewed the request and is satisfied it is correct and consistent with the Mayor’s plans and priorities.

✓

Mayoral Adviser:

David Bellamy has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 11 March 2024.

✓

INTERIM CHIEF FINANCE OFFICER:

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

Signature:

Enver Enver

Date:

11/03/2024

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature:

D. Bellamy

Date:

11/03/2024

